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# FINANCIAL TIMES

No. 26,240

Monday December 17 1973

\*\* 6p

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## GENERAL

### Threat of court fight on Ulster

The Sunningdale agreement on Ulster may be challenged in the Dublin High Court on constitutional grounds.

The threat, by Aontacht Eireann, the republican unity party, is said to be based on Clause 5 of the agreement, in which the Dublin Government accepted that the status of Northern Ireland could be changed only with the consent of the majority of the population.

Mr. Kevin Boland, leader of Aontacht Eireann, says that he will argue that this acceptance is in conflict with a constitutional provision under which the public claims jurisdiction over the whole of Ireland. **Page 29**

### Aircraft hits homes

Eight people died and ten homes were demolished or badly damaged when a Super Constellation aircraft taking Christmas trees to Venezuela crashed just after take-off from Miami, Florida. Witnesses said that the aircraft failed to gain altitude and that one engine was "popping" before the crash.

### Getty grandson in clinic

Paul Getty III, 17-year-old grandson of the U.S. oil millionaire who was freed in Southern Italy on Saturday by his kidnappers, was recovering from shock and exhaustion in a Rome clinic. His family is believed to have paid a ransom of about £15m. Police started an "extensive" hunt for the kidnappers.

### Clash at 'bomb' funeral

Left-wing demonstrators and police clashed violently at the funeral in Marseille of the four Algerians killed when a bomb exploded at their consulate on Friday. Responsibility for the blast was claimed by an extreme Right-wing organisation of former French settlers in Algeria. **Page 9**

### Heart transplant patient dies

Mr. Josephus Oliver, aged 46, South Africa's 13th heart transplant patient died 13 days after the operation performed by Dr. Christian Barnard. Only two of the 13 are alive—a woman operated on in April, 1969, and a man who was given a new heart in May, 1971.

### Rebels freed

Greek military authorities freed more of the people arrested during the mid-November demonstrations against President George Papadopoulos. More than 200 of the 300 detained have now been released since Friday.

### Sea bed pact

Agreement on a division of jurisdiction over the continental shelf between Greenland and Canadian islands in the north-eastern Arctic will be signed by Canada, Denmark, today. The area may contain rich oil deposits.

### Fruitmen's plea

Fruit growers have asked scientists to find a chemical that will stop birds from eating buds on fruit trees and bushes. Loss through bird damage has been put at £20m. a year.

### Carols switch

Pressure of work prevented Mr. Heath from conducting the annual carol concert at his home town of Broadstairs. Choirmaster Mr. Eddie Stafford deputised.

### Briefly...

Scotland Yard appealed for the return of a brief case stolen from London Hospital and containing data on cancer research.

Princess Anne and Captain Mark Phillips will return from their honeymoon to temporary "lodgings" at Buckingham Palace.

Premium Bond £25,000 prize was won by the London holder of bond No. 6MP 668135.

Admiral Sir Terence Lewin, aged 53, will take over from Admiral Sir Edward Ashmore as Commander-in-Chief Fleet on Thursday.

Thieves stole whisky worth £24,000 from the Royal Scot Hotel Docks at Crosby, on the Mersey.

Henry Green, the novelist, died, aged 73. **Obituary, Page 3**

Israel's Lydda airport is to be renamed Ben Gurion airport after the country's elder statesman and first Prime Minister, who died last month.

## BUSINESS

### Heath's regional aid hopes dashed

BRITISH HOPES for a generous European regional policy next year have been dashed. At the summit meeting in Copenhagen, Mr. Heath failed to get the commitment for the large development fund he had been seeking. **Back Page**

MR. DENIS HEALEY, "shadow" Chancellor of the Exchequer, advocated cuts in public expenditure and higher taxes on incomes, luxuries and property speculation to help ensure national support for combating the economic crisis. **Page 7**

CEGE reports that an "excellent response" from the public to appeals to economise on electricity averted the threat of further power cuts over the week-end. **Page 6**

POST OFFICE has been forced to impose an almost total ban on the movement of parcels in and out of the south-east because of disruption on the railways. **Page 6**

POWER RESTRICTIONS on industry and commerce will apply in Northern Ireland from Wednesday. A separate Order is being introduced before Parliament. **Page 6**

### Lockheed cash decision 'in ten days'

LOCKHEED Aircraft Corporation is expected to know within 10 days if major banks are prepared to extend further credit which the company is urgently seeking to tide it over fresh financial difficulties. **Back Page**

TUC DELEGATION which visited South Africa in October recommends that the British trade union movement should seek on a massive scale the organisation of African workers into trade unions. **Page 7**

MR. DAVID CROUCH, Conservative MP for Canterbury, claimed that there was "no case for a third London Airport." He said, "I turn Thameside into a new and bigger Tees-side on the coast of Essex and Kent." **Page 7**

CHANGES in the EEC Commission's proposed regulations for controlling company mergers are to be pressed in Brussels this week by Sir Derek Walker-Smith, Conservative MP for Hertfordshire East. **Page 6**

BRITISH STEEL Corporation will be able immediately to begin building a £30m. iron ore and gas plant at Hamilton, Ayrshire, with the announcement at the week-end of an agreement between BSC and Hunterdon Development, owners of the site. **Page 29**

### Bank staff win rises

SOME 170,000 clearing bank staff will get up to £153 a year extra under a proposed deal concluded in time to escape any new pay curbs which may be announced today. **Page 29**

REPRESENTATIVES of London Airport workers returned back to shop stewards tomorrow after further negotiations with the employers. In reply to a £10-a-week claim by 5,000 engineering and maintenance workers, British Airways has offered rises of between £2.10 and £2.65. **Page 29**

AUSTRALIA and North Vietnam have agreed to sign a formal trade agreement soon. Discussions are also taking place about a direct shipping service between Australian ports and Haiphong.

SOVIET UNION, backed by a record grain harvest of 222.5m. tons, is embarking on what is described as its greatest reorganisation of farming in 40 years. **Page 9**

CROWN PRODUCTS Group, part of Reed International's Wall Paper Manufacturers, intends to increase its promotional budget to £4m. next year in spite of an expected drop in production and demand. **Page 7**

J. CORAL HOLDINGS is continuing its expansion in leisure activities by buying for £764,000 cash the capital of four bingo hall companies owned by Mr. Peter Lindsay-Newbold. **Page 26**

## TUC bid for rail peace fails to make headway

BY ROY ROGERS, LABOUR CORRESPONDENT

AN attempt by Mr. Len Murray, TUC General Secretary, to settle the train drivers' pay dispute, appeared last night to have failed.

Both British Rail and the drivers' union, the Associated Society of Locomotive Engineers and Firemen, accepted Mr. Murray's suggestion that they should come together under an independent chairman. But ASLEF rejected British Rail's pre-condition that normal working be restored first.

A special meeting of the BR Board will hear a report on the situation today but it seems unlikely that the union's offer to consider lifting the sanctions in the light of progress at the talks will be sufficient for BR to drop its insistence on normal working before talks.

If the deadlock continues, Mr. William Whitelaw, Secretary for Employment, may become involved again later in the week. Mr. Whitelaw, who this afternoon meets leaders of the power engineers to urge them to call off their industrial action, is understood to be contemplating similar moves in the rail and mining disputes.

The TUC rail peace move had the support of the two other rail unions, the National Union of Railwaymen and the Transport Salaried Staffs Association. It was considered yesterday at a special meeting of the ASLEF executive, which was addressed by Mr. Murray. He urged them to lift their action and join negotiations with the BR Board under the chairmanship of Dr. Bill McCarty, chairman of the Railway Staff National Tribunal.

The discussions machinery would have been outside this machinery which ASLEF has refused to use.

Mr. Murray's peace initiative was the fourth to be rejected by the ASLEF executive which has already heard pleas from Mr. Harold Wilson, Leader of the Opposition, Mr. Richard Marsh, BR Board chairman and Mr. Whitelaw.

The peace move was made against a background of almost no activity on the railways which were experiencing the effects of ASLEF's ban on Sunday, rest-day and overtime working together with a policy of non-cooperation.

### Power

On the power engineers' front, Mr. Whitelaw is expected today to urge leaders of the Electrical Power Engineers Association to lift their ban on out-of-hours work and resume negotiations with the Electricity Council.

Unless Mr. Whitelaw can offer some assurance that negotiations would improve on earlier attempts to free a year-old stand-by by payments delayed by successive stages of the Government's wages policy, peace hopes appear slim.

The EPEA has agreed to relax its sanctions on Christmas Day, Boxing Day, and New Year's Day, but has threatened to step up its action from January.

Meanwhile, a warning that miners might act to prevent coal

being switched from rail to road because of the train drivers' dispute came yesterday from Mr. Lawrence Daly, general secretary of the National Union of Mineworkers.

Mr. Daly made it clear that no formal request for such support had come from ASLEF and that no instructions to this effect had been issued by NUM headquarters. But, he said, he was certain that miners would organise pickets and refuse to load outside lorries if they were brought in by the National Coal Board.

These sanctions, which began on Wednesday, are in protest against ASLEF's treatment in a £52m. pay re-structuring scheme which would mean increases of up to £6.20 a week for drivers over the next two years.

On the next few days, key TUC meetings will discuss the industrial relations situation, and the emergency measures announced by the Prime Minister last week. From these meetings, the TUC is likely to express its "measured" at the extent of the measures, anger that they were not consulted in advance and fear of heavy unemployment as a result.

They will also discuss calls from the Transport and General Workers' Union and the Amalgamated Union of Engineering Workers for a special Congress to consider joint support for the unions in conflict with the Government.

## EEC solidarity gesture over oil crisis

BY REGINALD DALE, COMMON MARKET CORRESPONDENT

COPENHAGEN, Dec. 16.

AFTER a marathon two-day bargaining session, heads of government of the Nine have agreed to a gesture of Common Market solidarity to confront the oil crisis, and to seek a new European role in the Middle East.

They have decided on fresh steps designed to lead to a politically united Europe, including much more frequent summit meetings and an acceleration of plans for "European union" by the end of the decade.

The first "informal" summit, which ended here late last night, has not, however, been the resounding success many of the EEC leaders had hoped for. The meeting was from the outset overshadowed by the arrival of a team of Arab ministers, demanding fresh support for the Arab cause, and most of the summit's broad decisions of principle are likely to prove extremely difficult to implement in practice.

### Meagre

The statement finally issued by the heads of government still conceals major differences of opinion among the Nine. Although the original intention was to hold highly informal dis-

cussions about the future of Europe, many hours were spent arguing over the details of their joint declaration—as at previous summits.

The results were seen here as particularly meagre for Britain and France, compared with earlier expectations. Both Mr. Heath and President Pompidou had hoped for a declaration of German influence more strongly than ever before inside the Community—often with the backing of the smaller member States.

Herr Brandt angered Mr. Heath by flatly refusing to agree to the high figure that Britain was seeking for the Common Market's new regional fund next year, and was largely instrumental in obliging Britain and France to go further than they had previously wanted in subscribing to a written commitment to joint Community action on the oil crisis.

Germany and the Netherlands also succeeded in toning down some of the more strongly pro-Arab elements that Britain and France wanted included in the statement on the Middle East. The summit did not specifically reject last week's proposals by

Dr. Henry Kissinger for a new energy "action committee" of the major oil-consuming nations, which has been strongly supported by Mr. Heath, but the final statement echoes the German suggestion that consultations between oil importing nations should continue to take place, for the time being, inside the OECD.

On the other hand, Britain and France were able to point to the decision to hold more regular informal summits, which will take place probably twice a year, under the presidency of the country holding the chair in the Community's Council of Ministers. This has for some months been a priority objective of both Mr. Pompidou and Mr. Heath.

The same is true of the agreement to set up new "crisis management" procedures, enabling the Nine to react rapidly to world events and prepare advance contingency plans on problem foreign policy issues. The exact procedures are now to be finalised by the Foreign Ministers.

### Statement

Equally, the Nine's new stand on the Middle East goes a little further along the lines of British

Continued on back page

## Stumbling blocks to Geneva Mid-East peace talks

BY RICHARD JOHNS

THE PROSPECTS for an early start to negotiations for a Middle East peace settlement appeared to have receded as Dr. Henry Kissinger, U.S. Secretary of State, last night began consultations with the Israeli Government on the last lap of his whistle-stop tour of the confrontation States.

But he struck a note of optimism last night as he emerged from a three-hour meeting with Mrs. Golda Meir, the Prime Minister, and said that his mission was going "very well."

Two main stumbling-blocks were thwarting his efforts to clear the way for the talks. They were, essentially, scheduled to begin in Geneva tomorrow but have now been postponed until Friday, according to the Egyptians.

First, there is the Arab insistence that a peace conference should be held under the auspices of the United Nations and the continued Israeli reservations about talks taking place under such an "umbrella."

Second, Syria is believed to be still refusing to submit lists of Israeli prisoners-of-war which it holds and to allow visits to them by representatives of the International Red Cross. Until Damascus does so, the Israeli Government has stated, it will not sit down at the conference table with the Syrians—though it would be prepared to start negotiations with Egypt and Jordan.

Dr. Kissinger arrived in Israel at the end of a tour which had included the capitals of Algeria, Saudi Arabia, Jordan and Syria.

Dr. Kissinger is expected to explain to the Israeli Government the Syrian conditions for submitting lists of prisoners. These are known to include a return of Syrian civilians to the newly-occupied areas.

In addition, Syria is said to be demanding an Israeli withdrawal to the positions held on the evening of October 22 at the time of the first ceasefire.

Israel will also be seeking clarification of exactly what role the U.N. might play in the peace talks.

In Damascus, Dr. Kissinger spent six hours with President Assad on Saturday in what appeared to be a tough session. Dr. Kissinger described the talks as "expensive, frank and very fruitful."

He was meeting Mrs. Golda Meir, the Prime Minister, Mr. Yigal Allon, the Deputy Prime Minister, Mr. Abba Eban, the Foreign Minister and Mr. Moshe Dayan, the Defence Minister. The last leg of Dr. Kissinger's tour

to be provided by the U.S. and the Soviet Union, the two co-sponsors of the prospective peace talks.

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## OPEC meets to-day on prices

BY RICHARD JOHNS

ECONOMIC EXPERTS of member States of the Organisation of Petroleum Exporting Countries meet to-day in Vienna to hammer out a new basis for calculating oil prices according to market values.

They will report on Saturday to all Ministers of the producing States in Tehran, who are expected to declare unilaterally another steep increase in posted prices over and above the 70 per cent. rise imposed in October.

In OPEC itself the unresolved question is whether—and to what extent—the tax reference should take into account the high and unprecedented market realisations resulting from the politically-motivated Arab production cuts.

Following the breakdown in negotiations with the Western companies in October, declared OPEC policy is that the posted price should be set at a level 40 per cent. above the "market price." One apart from Arab oil sanctions, it is acknowledged among OPEC economists that finding a rational criterion for judging what is the market price for any variety of crude will prove difficult.

At last month's OPEC conference in Vienna there was evident concern that an objective formula, which could be justified to the consumers, should be found. Little progress was made then towards evolving one; but studies designed to support new revenue demands have been drawn up.

### Pressure

In the event the scale of the increase decreed by the oil ministers is likely to be arbitrary—and large. Pressure for a steep rise in prices will have been intensified by last week's auction in Tehran for some 12m. tons of oil which the National Iranian Oil Company has to dispose of in the first half of 1974.

It resulted in record prices of \$16 to \$17.4 for a barrel of oil—over five times the price received by Iran for the much larger volumes of oil contracted to Western oil companies under the existing posted price level.

The immediate task of the OPEC ministers will be to set new prices for the Gulf. Those for short-haul crude from the east Mediterranean, Libya, Algeria and Nigeria, will then be adjusted accordingly.

All 12 members of OPEC are represented on the Economic Commission which will be working on a price formula this week in Vienna.

This body has existed as a study group for about a decade, but took on new importance at the last OPEC conference, when it was charged with designing a new basis for relating prices to market conditions.

## BARBER STATEMENT TO-DAY

## Balance of payments is main concern

BY JOHN BOURNE, LOBBY EDITOR

THE CHANCELLOR of the Exchequer's 45-minute economic statement in the Commons at 3.30 this afternoon will be aimed primarily at improving Britain's balance of payments position, which has been worsened by the increase in oil prices.

At the same time, Mr. Anthony Barber wants to avoid driving Britain into a deepening recession. The Chancellor is to make a Ministerial broadcast this evening.

While the Government is trying to exert maximum pressure on the miners and train drivers to accept the pay offers made under Stage Three, it is considered unlikely in Whitehall that Mr. Barber will refer to-day to any possible changes in it.

Ministers believe, however, that in the present economic situation, even if these two disputes are settled quickly, Stage Three will, in fact, soon become irrelevant. It was justified by the expectation of a 34 per cent. growth rate next year, which has now gone out of the window.

More stringent controls on hire purchase, including possibly bigger down payments and shorter repayment periods are possible.

If income tax is raised, the Government will certainly increase the tax threshold at the lower rates in order to produce a "socially fair" package which would be regarded as "socially fair" shielding the lower paid while placing a greater burden on the higher earners.

### Threat

One pressure is undoubtedly the unspoken threat of an early general election unless the disputes are settled swiftly. It is now being actively canvassed by

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مكتبة الصلح







# Purgatory and The Bear

by RONALD CRICHTON

them just over a week to prepare for the restart on the leg to Rio which is now expected to take place on Boxing Day.



# Businessman's Diary

## Uncertainty among exhibition trade

THE exhibition industry remains confused on the impact of the latest set of restrictions. It is not clear if shows will get dispensation for heating and lighting as they did in power cuts of several years ago. It is a source of surprise to the industry that while strip clubs and bingo halls can continue to operate it is still not certain whether exhibitions, which in so many cases are vehicles for export sales, will be able to open for more than the three consecutive days. And it seems to be a moot point as to whether standby generators could be used.

Gerry Ritson, director of the Association of Exhibition Organisers thinks it looks as if the three day restriction will come into play. But the Association is looking for some understanding of its problems from the Department of Trade and Industry.

## Open to claims

In the event of cancellation of any show the exclusion clauses in the insurance policies refer to Act of War or State of Emergency. It would seem that organisers would be open to claims from exhibitors in the event of any sudden cancellation and would thus bear the brunt.

A spokesman for Industrial and Trade Fairs said the situation was such that no clear picture would emerge for a couple of days. But "Exhibitors are not worried as far as they are concerned."

Some of the problems to be sorted out, of course, are the times needed for build-up and break-down of shows. The organisers of the Camping, Outdoor Life and Travel Exhibition which is to open on December 28 have decided to move in as early as possible.

Another early exhibition to be affected could be the International Boat Show. Some boats for this have already arrived in the U.K. and the show will go ahead but a spokesman said that it was still a "confused situation" with regard to opening days.

Gilbert Lamb, director of the Incorporated Society of British Advertisers and newly re-elected as chairman of the Exhibition Liaison Committee, was another who felt that it would be a "confused situation" with regard to opening days. But it is hoped to have meetings with the DTI and that dispensation will be the order of the day.

## U.K. TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Professional Model Makers' Exhibition (cl. Jan. 5)	Design Centre, S.W.1
Dec. 18-20	Drumhallow Show Jumping Championships	Olympia
Dec. 28-Jan. 6	Camping, Outdoor Life & Travel Exhibition	Olympia
Jan. 1-12	Model Engineer Exhibition	Seymour Hall, W.1
Jan. 1-12	International Boat Show	Earls Court
Jan. 5-12	Racing and Sporting Motorcycle Show	Horticultural Halls, S.W.1
Jan. 8-10	Electronics, Electrical & Automation Exbn.	Birmingham University
Jan. 9-17	Hotel and Catering Exhibition	Olympia
Jan. 12-17	International Toy Fair	Exhibition Hall, Harrogate
Jan. 12-17	Interiors: Display & Shop Equipment Exbn.	Olympia
Jan. 12-17	West Country Gifts Fair	Palace Hotel, Torquay
Jan. 20-23	Stationery Industry Exhibition	Grosvenor House, W.1
Jan. 20-23	International Slipper Fair	Blackpool
Jan. 20-24	Leathergoods, Luggage & Handbag Fair	Horticultural Halls, S.W.1
Jan. 23-Feb. 2	Northern Caravan Exhibition	Queen's Hall, Leeds
Jan. 26-30	British International Toy Fair	Metropole Hall, Brighton

## OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	Title	Venue
Jan. 4-13	Exbn. of Caravans and Accessories (cl. Dec. 18)	Amsterdam
Jan. 5-13	Intl. Sportsmen's Vacation & Travel Show	Los Angeles
Jan. 5-13	International Textile Machinery Exhibition	Sao Paulo, Brazil
Jan. 6-10	China and Glass Exhibition	Atlantic City
Jan. 6-13	International Leather Goods Exhibition	Brussels
Jan. 7-10	Intl. Hotel, Café & Restaurant Exhibition	Amsterdam
Jan. 7-11	Trade Fair for Travel, Leather Goods & Souvenirs	Utrecht
Jan. 7-11	European Knitwear Exhibition	Frankfurt
Jan. 8-13	Intl. Trade Fair for Home Furnishing Textiles	Paris
Jan. 10-20	National Boat Show	New York
Jan. 10-21	Intl. Pleasure Yachting Exhibition	Munich
Jan. 12-20	Caravan and Boat Show	Lausanne
Jan. 13-18	Toys and Souvenirs Exhibition	Zurich
Jan. 13-18	Mechanised & Automated Production Exbn.	London
Jan. 16-19	Interpex/Japan: Electronics Exhibition	Tokyo
Jan. 16-19	International Lighting Exhibition	Stockholm
Jan. 17-20	Glass, China, Handwork & Gifts Trade Fair	Düsseldorf
Jan. 19-27	International Boat Show	Naples
Jan. 19-27	Catering Trades Show	Houston
Jan. 20-24	Nat. Assn. of Home Builders Exbn.	Vicenza, Italy
Jan. 20-27	National Exbn. of Gold, Jewellery & Silverware	Amsterdam
Jan. 21-28	European Machinery Exhibition	Cologne
Jan. 21-27	International Furniture Fair	

## BUSINESS AND MANAGEMENT CONFERENCES

Current	Title	Venue
Dec. 18	HTS: Group Dynamics (cl. Dec. 21)	High Wycombe, Bucks.
Dec. 18	BACIE: Visual Aids	16 Park Crescent, W.1
Dec. 18-19	TMP (Lancaster): Marketing Management	Cudham Hall, Kent
Jan. 7-9	Ind. Socy.: Basic Supervision in the Office	48 Bryanston Square, W.1
Jan. 7-11	PERA: Industrial Salesmanship	Melton Mowbray
Jan. 7-11	IPM: Salary Administration	Barnes Hotel, W.1
Jan. 7-18	Mitchell Partners: Method Study	Beeston, Notts.
Jan. 8	IBC: Meeting the Fuel Crisis	Royal Garden Hotel, W.3
Jan. 8-9	IndComTec: Finance for Engineers & Technologists	Washington Hotel, W.1
Jan. 8-10	MT Consultants: Senior Managers in Action	Cannon Chambers, Leicester
Jan. 8-11	Computer Power: Supervising Operations Staff	Cannon Chambers, Leicester
Jan. 10	IPS: The Outlook for Timber in 1974	Europa Hotel, W.1
Jan. 10	Lon. Cl. of Com.: Trade between U.K. & W. Europe	69 Cannon Street, E.C.4
Jan. 10-11	Marketing Imps.: Marketing in Europe	7 Kendall Place, W.1
Jan. 14-18	Frank Jenkins: Marketing and PR	Connaught Rooms, W.C.2
Jan. 14-18	CDT: Retail Management Course	30 Leicester Square, W.C.2
Jan. 14-18	Brunei Univ.: Inspection & Work Measurement	Uxbridge, Middlesex
Jan. 14-26	Dunelm College: Junior Analysts Training	Dunelm, Rugby
Jan. 15-17	Financial Times, The Banker, The American Magazine: Pressers Chronicle and British Airways (BOAC): World Banking	Royal Lancaster Hotel, W.2
Jan. 15-17	Imp. Coll.: Simulation Techniques in Management	Exhibition Road, S.W.7
Jan. 16	BTA: People in Tourism, Manpower Man. & Trng.	Grosvenor House, W.1
Jan. 16	BAS: Land Hoarding Charge	Manchester
Jan. 16	BIM: 1973 Social Security Act & Pensions	Bramhope, Nr. Leeds
Jan. 17	Ind. Socy.: Organising Consultative Committees	3 Carlton Hse. Terr., S.W.1
Jan. 17	IPM: Industrial Relations Forum	King James III, Edinburgh
Jan. 17	IPM: Salary Administration	21 Wigmore St., W.1
Jan. 19	Arts Council: Copyright and the Arts	Birmingham University
Jan. 21-25	PERA: Production Control	Melton Mowbray
Jan. 21-25	Mitchell Partners: Work Measurement	Beeston, Notts.
Jan. 21-25	LAMSAC: O & M Training	35 Belgrave Sq., S.W.1
Jan. 21	Dunelm College: Management through People	Dunelm, Rugby
Jan. 22-23	Marketing Imps.: Advertising & Sales Promotion	7 Kendall Place, W.1
Jan. 22-23	BEIS: Fin. Techniques for Marketing	30 Fleet Street, E.C.4
Jan. 22-23	Clarke Johnson: Accounting Principles & Practice	21 Wigmore St., W.1
Jan. 23-24	Investors Chronicle: Annual Investment Seminar organised in association with the Financial Times	London Hilton, W.1
Jan. 24-25	EBI: Auditing and the Computer	Cafe Royal, W.1

## Roto Diesel expanding in Europe

By Peter Cartwright

THE LUCAS group's penetration of the European vehicle component market is going ahead strongly. The latest offshoot of the group to capture an increasing share of the French market is Roto Diesel, which has ambitious plans for expanding its base in the developing industrial area of Blois on the Loire.

It now claims 55 per cent. of the attainable market in rotary fuel injection pumps for diesel engines up to 6 tons, and slightly more for tractor applications. Most of the company's growth has come in the past five years or so, following an unsteady period after its start in 1959.

## Joint venture

Roto Diesel is a joint venture between the parent U.K. company, CAV and DBA. This is a consortium of Daimler-Benz, which can own Bendix (with which Lucas competes in other fields) and Air Equipment. Set up to supply the Perkins Diesel engine plant in France, ultimately with 8,000 units a month, it suffered a severe setback when Perkins withdrew manufacturing operations.

In the mid-sixties it was selling only 2,000 units a month and the future of the project was seriously challenged. It could have split the Anglo-French team, but instead it welded more firmly together and helped by the emergency of dual sourcing policies, began to capture business from competitors.

By 1970, when its sector of the French market had advanced to 220,000 diesel engines, tractors, combine harvesters and other agricultural equipment, Roto Diesel was supplying 110,000 units—as much as the total 1960 market. It now provides all of Berget Citroën's diesel truck needs, a third of Peugeot's and half of Savem's, and in the tractor sector all of Renault's and John Deere's.

Not the least among its achievements is to have helped in the industrial growth of this development area. It was one of the first factories on an estate that 40-day employees 10,000 of an expanding 10,000 population, nearly one in 10 of them at Roto Diesel.

## THE WEEK IN THE COURTS

## Nazi evils and the changing meaning of discrimination

BY JUSTMAN

IT MUST be rare, if not unique for a case to be litigated all the way up to the House of Lords before it is discovered that a vital fact has been overlooked. It is even more startling that, but for the assiduity and scholarship of a distinguished writer in the Law Quarterly Review after the Court of Appeal had handed down its decision, the litigant, a refugee from Nazi Germany, would have lost his last chance to claim against the Inland Revenue for tax relief on his pension from the West German Government.

In *Oppenheimer v. Cattermole* (Inspector of Taxes), the Lords, last week, after full argument from both sides, sent the case back to the Special Commissioners of Income Tax, because there were grounds for thinking that their findings as to the relevant German law of nationality might have been based on inadequate material.

If Mr. Meier Oppenheimer eventually wins his case, because the English courts proceeded on a misunderstanding of German law he will have Dr. Francis Mann, a London solicitor and Hon. Professor of Law in the University of Bonn, to thank.

## Decree

Mr. Oppenheimer was a German national by birth. Until 1938 a teacher in a Jewish orphanage in Bavaria, he then fled to this country after a taste of a German concentration camp. On November 23, 1941, Hitler issued his notorious decree depriving all German Jews abroad of their nationality, and confiscating their property. The principal targets were those who had been or were to be deported to Polish concentration camps.

In 1948, Mr. Oppenheimer became a naturalised citizen of the U.K. and Colonies. In the 1950s the Federal Republic of Germany introduced legislation as part of its generous measures of restitution and compensation to Jews persecuted by the Nazis providing for the payment of pensions to former public servants, including Mr. Oppenheimer. These pensions were not compensatory (which would make them exempt from taxation) but were pensions in the ordinary sense of the term, exempt from U.K. tax only if the recipient was also a German national. That followed from a

provision in the Anglo-German Double Taxation Convention. Mr. Oppenheimer claimed that before it is discovered that a vital fact has been overlooked, ignored, leaving him still a German national.

The Inland Revenue countered by claiming that, not later than the date of Mr. Oppenheimer's naturalisation in 1948, he had lost his German nationality, irrespective of Hitler's 1941 decree. This was because a German law of 1913 provided that a German who had neither his habitual residence nor his permanent abode in Germany lost his nationality when he acquired a foreign nationality of his own volition. The Court of Appeal had treated the 1941 decree as valid and effective to deprive Mr. Oppenheimer of his German nationality. The decree of 1913 was held not to apply to him in 1948 because he had lost German nationality in 1941.

## Ignored

What had been ignored was a provision in the Constitution of the Federal Republic which came into existence in 1949. Article 116(2) provided that former German citizens deprived of their citizenship between 1933 and 1945 on political, racial or religious grounds would be granted citizenship on application. For some time German courts thought that this had, by implication, recognised the effectiveness of the 1941 decree. But in 1963 the Federal Constitutional Court, with commendable forthrightness, said that the 1941 decree violated fundamental principles. So intolerable was it that it must be considered as so much waste paper.

It is an unhappy fact that English courts have been less reluctant than German courts since the war to treat the Hitler regime's acts of government as being invalid and inflicting injustice. One hopes that when the Special Commissioners remit the case to the Lords the latter will consider following the example of the West German courts.

But Mr. Oppenheimer's claim still to be a German national may not be any more successful when the facts are properly elicited. Because the Court of Appeal upheld the validity of the 1941 decree it overlooked the application of the 1913 persons similarly treated.

## Pejorative

Discrimination has, unfortunately become almost wholly pejorative in daily use. It longer bears its ordinary meaning of distinguishing between good and bad. And Parliament has adopted its current connotation. In the Race Relations Act, 1968, discrimination on the grounds of race, colour, religion is outlawed. Similarly in the Industrial Relations Act it is an unfair industrial practice for an employer "to dismiss, penalise or otherwise discriminate against a worker on the grounds of his exercising a right associated with trade union membership."

In the *Post Office v. Union of Post Office Workers* and *Crowther v. The Post Office* the Lords last week upheld the decision of the Industrial Relations Tribunal (ITR) that the Telecommunications Staff Association (TSA) who were being denied varied facilities afforded by the Post Office Union (POU) were not entitled to them.

One of the issues was whether the Post Office, in choosing to allow facilities to the POU, had discriminated against the TSA. If it did not, was discriminating within the meaning of the Act? It was argued that any discrimination against the TSA and not against any official or member of the union. Lord Reid thought it was discrimination either the worker was worse off than he would have been if there had been no discrimination against him, or if he was worse off than someone else in a comparable position against whom the discrimination had not been made. Either way, it did not matter the present case, but Lord Reid preferred the latter meaning.

Lord Simon of Glaisdale preferred the former meaning. The phraseology of the Act—"penalise or otherwise discriminate against"—seemed more apt to cover the case of a person better treated less favourably than he would otherwise be treated, or not by comparison with other persons similarly treated.

## COMPANY NOTICES



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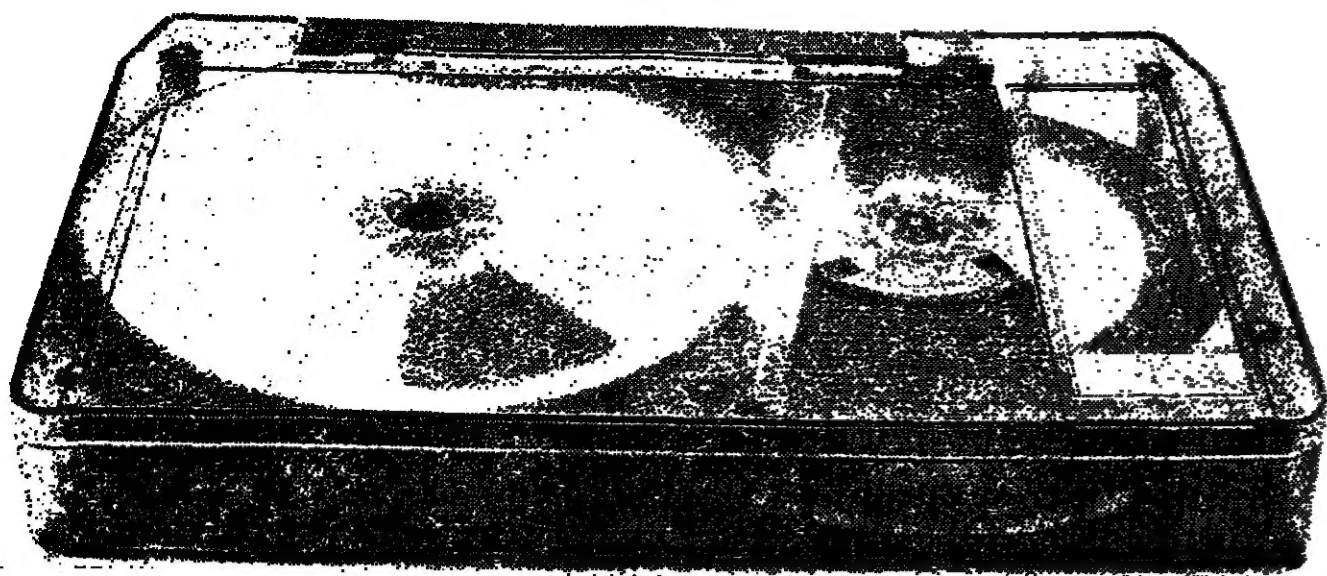
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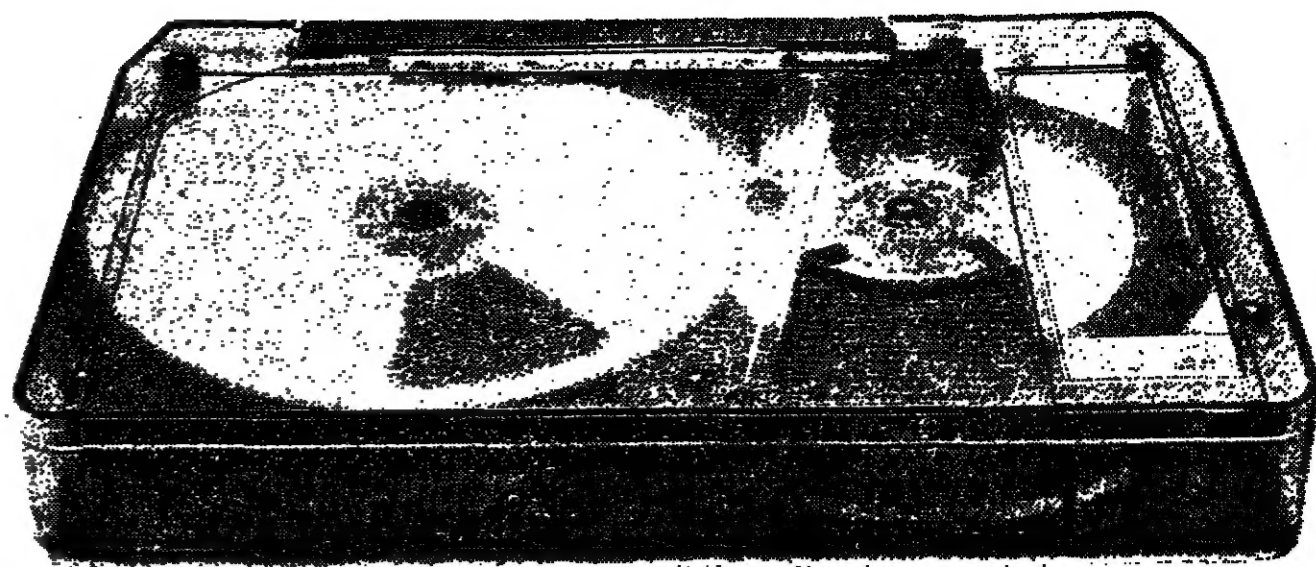
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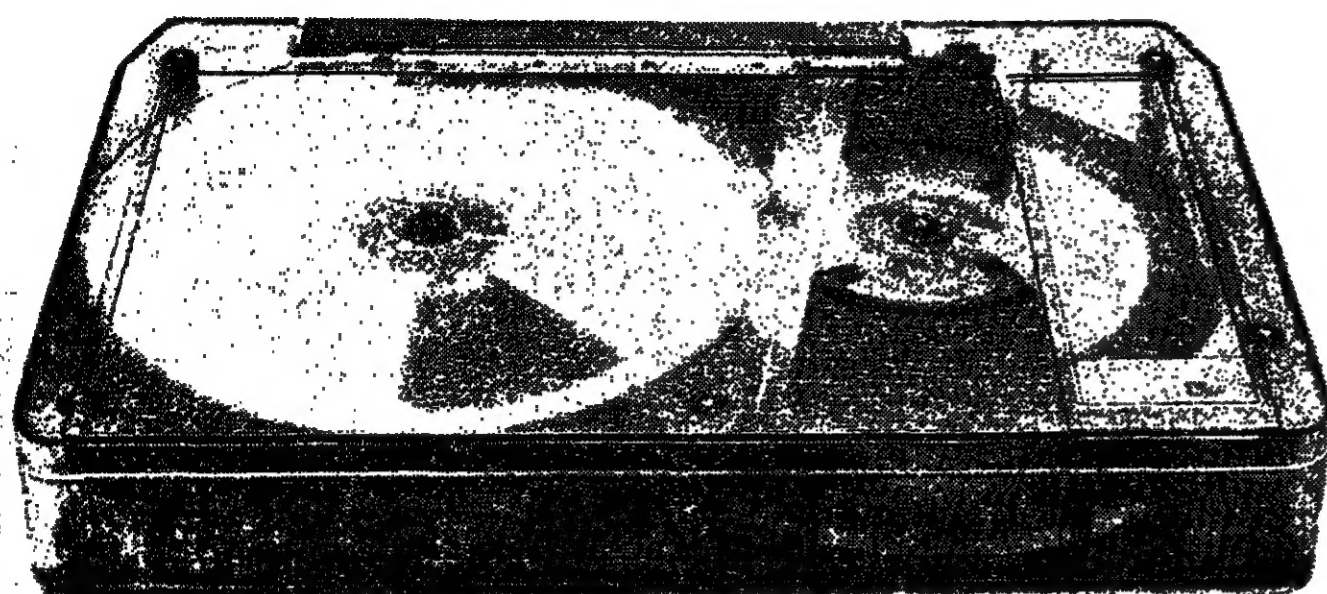




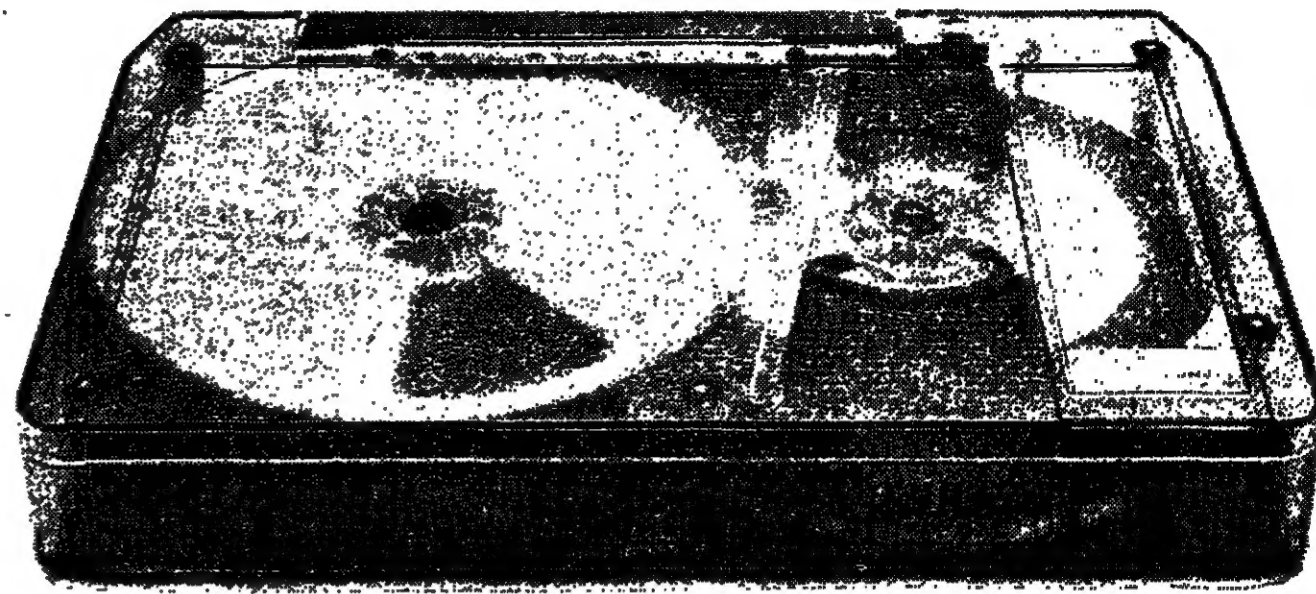
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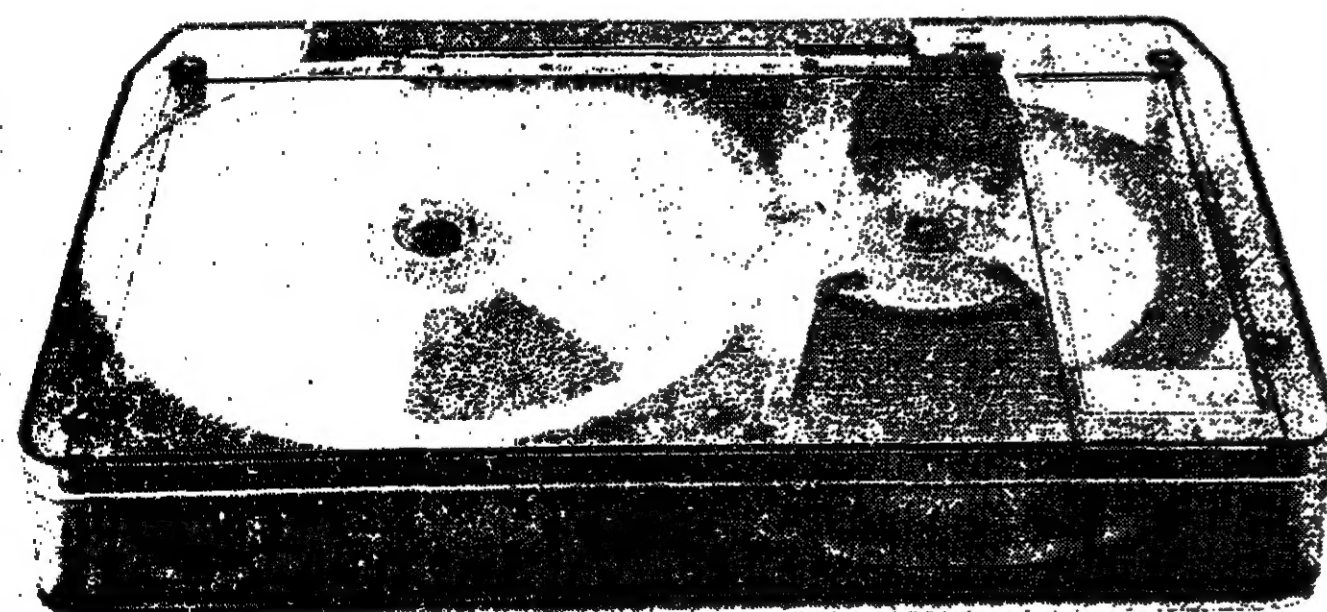
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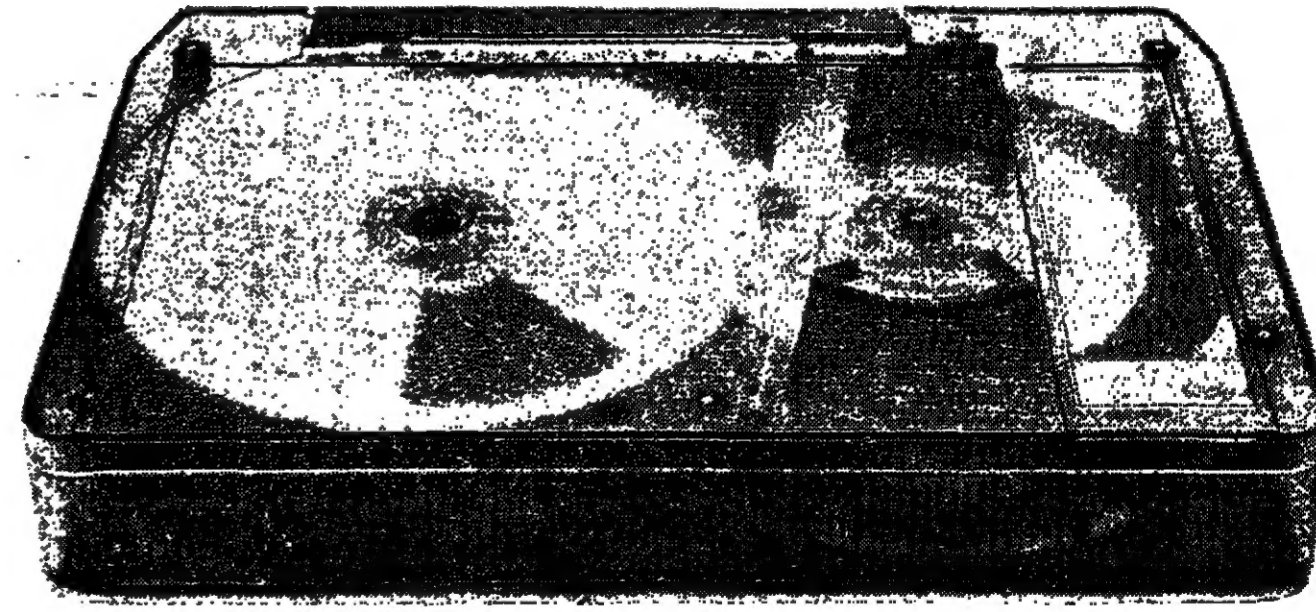
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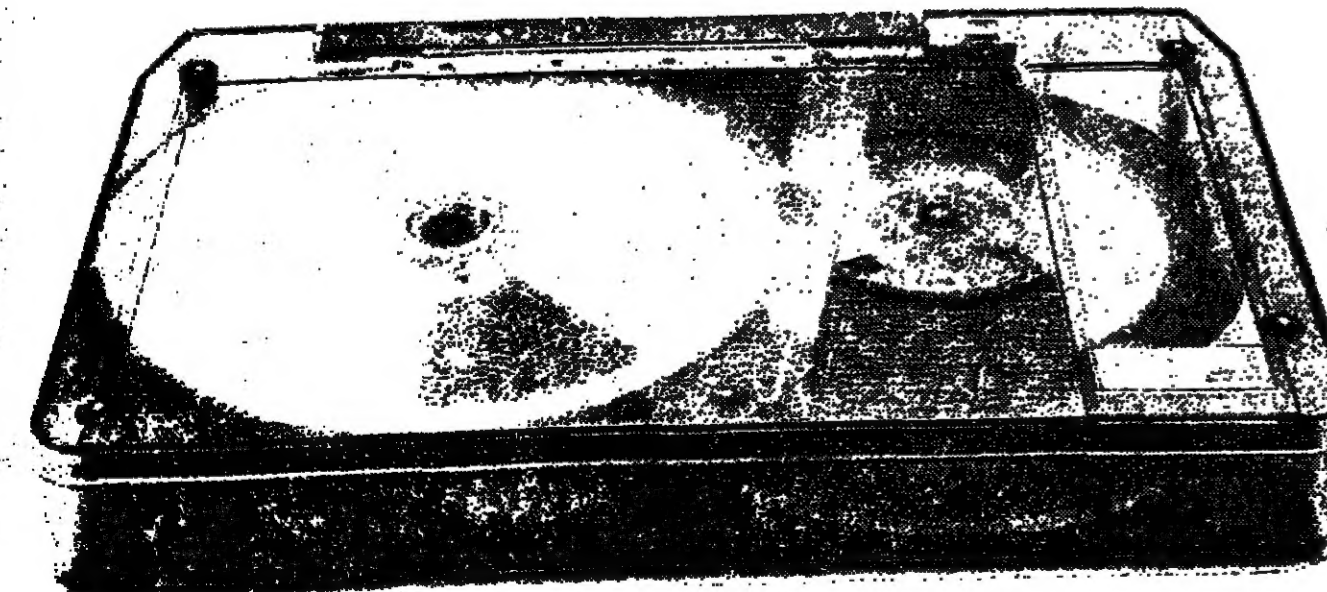
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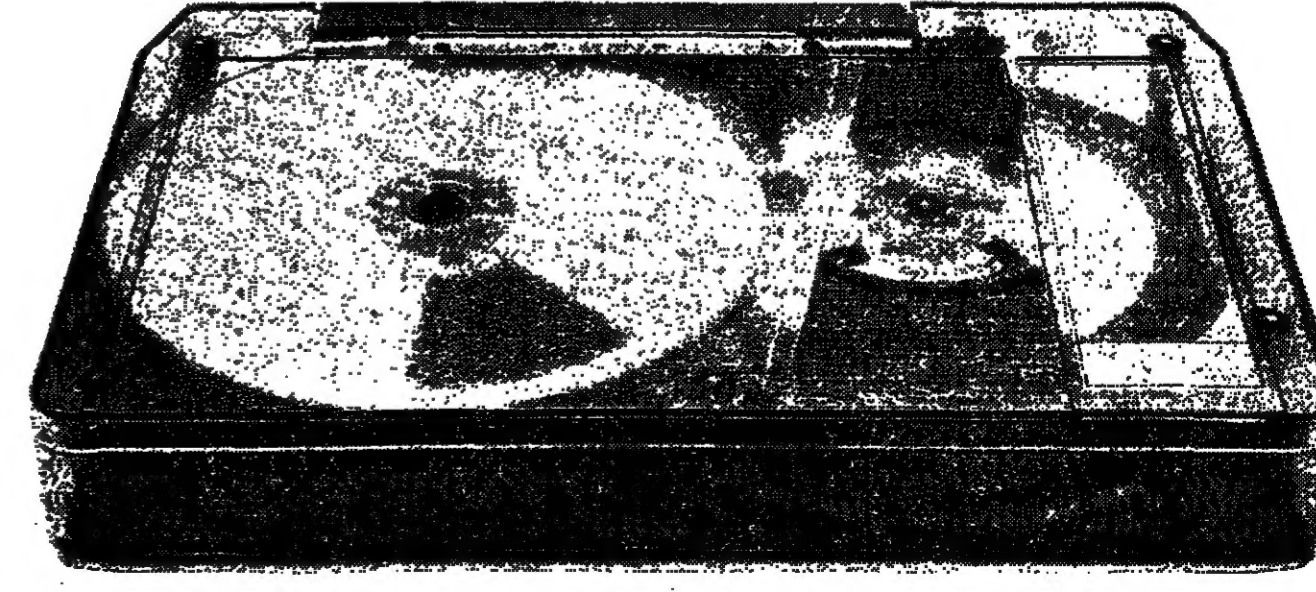
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## ENERGY AND TRANSPORT CRISIS

## ● ELECTRICITY

## 'Public response' averts weekend power cuts

BY MICHAEL CASSELL

AN "EXCELLENT RESPONSE" from the public to appeals to cut down on use of electricity averted the threat of further power cuts over the weekend.

There were fears at one time that the widespread disconnections which hit the country on Friday night would have to be repeated, but the Central Electricity Generating Board reported that consumers had made a substantial contribution to its efforts and were clearly making economies.

On Saturday demand was estimated to have fallen by about 3 per cent. below the normally anticipated load. Yesterday's lunch-time peak, when it was originally feared that more cuts would be necessary, was met "quite comfortably" by the CEGB, and by the afternoon demand was running at about 6 per cent. below normal requirements.

The CEGB stressed, however, that the supply situation could change on an hour-to-hour basis, and that because the weekend had been trouble-free no such assurances could be given about

the future. The apparent economies on the part of the electricity consumer, said a spokesman, would have to be continued and improved upon if possible.

A maximum 6 per cent. voltage reduction, now virtually a permanent feature of the supply situation, was continued through the weekend to save as much electricity as possible. The weather was generally milder than had been expected.

The easing in demand for power came after an appeal from Mr. Ronald Richardson, deputy chairman of the Electricity Council, for restraint in use of electricity. Mr. Richardson said at the weekend that if householders did not cut down on power consumption, cuts of up to 40 hours a week would be needed, "even in the early days."

The public, he said, faced the "fierce and most savage rota cuts" that any country had experienced unless it complied with requests to save power. Complete cities would lose electricity for long periods.

Rhys David writes: The power restrictions to be imposed on industry and commerce in Britain from today will be applied in Northern Ireland from Wednesday. A separate Order is being introduced before Parliament which will have the same effect as that covering Great Britain.

The Province is not affected to the same extent as Britain by the effect on coal stocks of the miners' overtime ban. Most electricity is generated from oil. The Government has made it clear however that Northern Ireland as part of the U.K. is expected to make its contribution to overall national fuel saving.

Among the continuous process industries which will be affected are Du Pont's chemical works at Londonderry and man-made fibre plants operated by ICI Fibres, Courtaulds and Monsanto. The reduced working week will hit a number of major concerns including Harland and Wolff, the shipbuilders. Short Brothers, the aircraft manufacturers, the tobacco industry, and the extensive linen and clothing industry.

BY KEN GOFFON

FOR MANY major industrial groups today will present the first opportunity for a detailed analysis of how they can operate under the severe power-saving measures announced by the Government last Thursday.

For although it was immediately clear that the measures, including a switch to a three-day week or a cutback to 65 per cent. of normal power consumption for most of industry would have a serious impact, guidance on the detailed interpretation of the regulations was not easily obtained.

However, most companies should now have heard on what days they may operate, or to what electricity they are entitled. As the strict nature of the regulations has become more widely appreciated, so the difficulties facing particular sectors have become more apparent.

## Profits snag

ENGINEERING: Operating profitably on a three-day week will be impossible for many companies, particularly in "capital intensive" areas, and where employees successfully press to be paid on the basis of an average 40-hour week. In addition, many companies like Guest Keen and Nettlefold, Vickers and GEC are worried that short-time working may involve them in penalty clauses for late delivery under export contracts.

TEXTILES AND CLOTHING: One of the U.K.'s basic manufacturing industries, employing about 900,000 people, it has similarly not been given priority status. Faced with a three-day working week, industry leaders have been considering how best to allocate their reduced production.

It is too early for a clear picture to emerge, but these were among the points made by some of the biggest companies in the industry.

The products going to export markets are not necessarily the same as those destined for the U.K., so that it might not be a simple matter of choosing one market or the other, said Total. If the emergency is short-lived, the company will probably expect all customers to "share the misery," but if it looks like going on for some months then a system of priorities will be required.

Mr. Carrington Vye said that the question of allocations to customers would probably be left to individual subsidiaries to decide. As a generalisation, it could foresee a clash of interests between the Government, which might want exports to be given priority, and the industry, which would probably want to satisfy home customers first.

The textile industry's view on what the Government should do about imports appears to be divided.

Clothing imports increased by 50 per cent. in the first nine months of this year, and one executive pointed out that any opening of the floodgates to make up the shortfall in U.K. production would only make the balance of payments situation worse. On the other hand, a competitor argued that any new restrictions on imports would be inappropriate, and would make an international problem out of an internal matter of "how much British miners should be paid."

FOUNDRIES: Many operate continuous casting processes, and were still unclear at the weekend what classification they had been given. While the process could be interrupted, intermittent working would severely disrupt the organisation. Many, like F. H. Lloyd, TMI, and Delta, normally operate these continuous processes on five or more days a week. Those which have been working seven days a week were demanding to know whether they too were expected to shut down on a three-day operation, which would be a bigger sacrifice than was expected of industry at large.

POTTERIES: The firing kilns are in continuous use. Wedgwood has an all-electric plant, and built most other kilns by natural gas, oil, or LPG, they require constant power to operate electric fans. Clarification is still being sought on how the kilns will be affected.

## Farm fears

FARM MACHINERY: Manufacturers, through the Agricultural Engineers' Association, seek priority steel supplies to safeguard agricultural production next year. Mr. Dean, the association's director, general, said that unless the Government took direct action to ensure that the limited supply of steel was channelled to essential industry, unacceptable shortages would occur. Unless the Government acted, the factory harvesting of next year's crops, grass, cereals, fruit and vegetables, potatoes and sugar beet is seriously jeopardised," he added.

One other aspect of the cut-back in steel and working hours is the effect on the industry's film-a-day export business in tractors and farm machinery, which is facing peak demand because of the worldwide increase in farmers' incomes.

The National Farmers' Union shares the machinery makers' concern about the situation. With the agricultural machinery dealers, the NFU and the Agricultural Engineers' Association are sending a deputation to the Department of Trade and Industry to-day to call for immediate Government action to help farm machinery manufacturers.

For the NFU the biggest problem is shortage of spare parts, about which they have complained for months. One NFU official said yesterday that unless the Government acted, spring cultivation work would be held

up, let alone next year's harvest. The NFU has already sent one deputation to the Ministry of Agriculture to complain about shortages. It warned that Britain's agricultural expansion programme was threatened by lack of raw materials including fertilisers, pesticides, packaging materials, spare parts and new machinery — shortages which were building up even before the BSC steel cutback decision and the Government's announcements last week.

PUBLISHING: Mr. David Burnett, director-general of the Periodical Publishers' Association, said at the weekend that the industry welcomed a "Govern-

ment initiative during this period of national emergency," but added that it was entirely wrong that periodicals should be discriminated against in the manner detailed by the Government.

Representations will be made on this point, he said, adding: "I believe that it is absolutely right for newspapers to be given priority status, but similar priority status should have been given to certain essential periodicals serving important sectors of the community." In his view essential trace and technical publications would be needed to ensure a flow of information not readily available in newspapers as defined by Government.

The London Motor Cab Proprietors' Association applied for a 40 per cent. increase earlier this year. Mr. Geoffrey Trotter, chairman of the association, said last night that the trade was in a very militant mood, with some operators threatening to pull out of the industry because they had seen practically no return this year and doubted

if they would see any at all next year. He said that the 40 per cent. increase would barely enable operators to catch up on widespread increases in costs since the base date of calculations, March, 1970.

Among the rising costs cited by the trade are the 2p increase in diesel prices last week, dearer lubricating oil from this week, higher insurance premiums at the end of the year, and the possibility of an extra duty on fuel in to-day's Budget.

The cab operators may ask the Home Office for some relief from fuel duty, already enjoyed by London Transport and by agricultural and marine users. They are asking to be classified as public transport for fuel allocation purposes while the shortage lasts. Although supplies are believed to have improved, unlicensed drivers have called for petrol rationing and are meeting the GLC to-day to talk about extra supplies of diesel.

HAIRDRESSING: Unlike shops, High Street salons cannot cram extra business into a shorter working week, and may be forced to put up their prices to avoid being forced "to a loss situation by Government restrictions." Mr. Don "Chilly" editor of the Hairdressers' Journal, said at the weekend that without electricity there was little that the trade could do except cut hair by candlelight. "If these restrictions mean that they lose money, then they may put up prices, without asking anyone's permission, until they are making a profit again," he added.

RETAILING: London. West End shops are divided on how best to use their five-day allocation of power up to the end of the year. Some said at the weekend that they would use it all in the coming week, but others will restrict days on which they are open, and save some of their "ration" for the opening of the special sales the following week.

Meanwhile, the stores in London and other major centres such as Birmingham report that Christmas business is brisk, with customers spending freely. At Debenhams in Birmingham a spokesman said that takings were up by 19-22 per cent. on last year, and only about 8 per cent. of that gain was accounted for by inflation.

In London, Liberty's of Regent Street commented that people appeared to be buying more expensive presents — "many shoppers are afraid that the pound will not be worth much next year and are putting it into items like jewellery and Oriental carpets."

AIR TRAVEL: Seriously affected by fuel shortages, British Airways, which has had to cancel about 1,600 of the 6,800 flights planned between now and New Year, had 200 staff working over the weekend, trying to contact authorised passengers of the 200,000 passengers. The airline said yesterday that

it was working progressively through the flight programme and asked passengers not due to travel until after Christmas to be patient. Its switchboards were swamped with calls, it said.

BROADCASTING: Television programmes on BBC 1, BBC 2 and ITV will end at 10.30-10.50 p.m. from tonight onwards under the emergency regulations. However, late-night television will be allowed on Christmas Day, Boxing Day, and New Year Eve. The British Broadcasting Corporation said yesterday that scheduling of most programme would be unchanged up to 9.5 p.m. each day. It added that the 11.30 p.m. news on BBC Radio Two would be extended to 20 minutes each evening, with provision for a 30-minute bulletin when necessary.

FOOD SUPPLIES: In spite of the priorities given to food manufacturing and distribution, the grocery trade is beginning to express anxieties about deliveries. Even the Ministry of Agriculture officials at the weekend denied reports that food rationing was being considered. According to Mrs. Peggy Fenner, the Parliamentary Secretary to the Ministry, there was a shortage of food for Christmas and stock levels in the country were good.

Yet Mr. Leonard Reeves-Smith, chief executive of the National Federation of Retail Grocers with over 10,000 members in the U.K., said in London yesterday that supplies of salmon, corned beef, baked beans, and canned fruits of all kinds would be "critical" in the New Year.

Although there were shortages in the shops yet, said, grocery stores having difficulty restocking, and wholesalers were working on a hand-to-mouth basis. "We are very concerned about supplies of practically everything, particularly goods that are canned or bottled. Toilet rolls, too, might be hard to come by."

## Difficulties

Although the Sainsbury group, with 200 stores, reported "no real problem yet," a spokesman in Tesco said that there could be difficulties in causing grave shortages. "There will be serious difficulties if the petrol situation gets worse and we are unable to make deliveries from our warehouses to the stores."

Fine Fare confirmed that there was a shortage of baked goods and that they could be difficult to obtain supplies of other canned vegetables and fruit.

LIQUID PETROLEUM GAS: Liquefied butane and propane from to-morrow, are subject to the same export controls as already apply to most other petroleum products, under the Export of Goods (Control) (Amendment No. 5) Order 1973 published at the weekend. The move has been made because of the difficult supply position of liquid petroleum gases, but a general export licence for petroleum products of these products in containers hold in less than 50 kg. has been granted

## ● MAIL

## Rail go-slow forces Christmas parcels ban in South-East

BY MICHAEL CASSELL

THE POST OFFICE has been forced to impose an almost total ban on moving parcels in and out of the South-East because of disruption on the railways.

This follows a warning last week from Sir William Ryland, P.O. chairman, that disruption of rail services seemed bound to affect the Christmas post. Without the rail crisis the severe delays experienced last year would almost certainly have been avoided, he said.

The P.O. announced at the weekend that it could no longer accept parcels for addresses in London, Kent, Sussex, Essex, Middlesex, Buckinghamshire, Bedfordshire and Hertfordshire, unless they were posted within those areas.

Neither will post offices in these areas handle parcels for non-local destinations, except those going to overseas country.

addresses. Surface and air parcels will be accepted as usual.

The ban has been brought in to enable the P.O. to maintain letter services and to clear the accumulation of parcels already in hand. Information about the

Long queues built up yesterday outside the Trafalgar Square post office, London. As the only post office in the country to open on a Sunday, it provided members of the public with their last chance to beat the deadline.

scope of these restricted services will be available at local post offices.

A spokesman said the move was "unavoidable." A close watch was being kept on the situation to determine whether similar action would have to be extended to other areas of the country. At the moment there

are no plans to do this and no final posting dates for other regions are being given.

The South-East has been hit because of the density of population, and consequent high volume of parcel movements, and because of effects of the go-slow by train drivers.

In the pre-Christmas period, the P.O. expects to handle more than 900m. letters, cards and parcels. About 150,000 casual staff have been recruited, the same total as in 1972, and an additional 8,000 vehicles have been hired to complement the 25,000-strong postal fleet. The P.O. expects to make "a slight profit" on its Christmas business.

It reminded the public last night that to-morrow was the last date for posting second-class Christmas letters and cards, while the deadline for first-class mail was on the following day.

If Leasco were still just a leasing company we'd have the best name in the world. But we're not.

Over the past twelve years, Leasco Corporation has been evolving into one of the nation's largest financial services companies, with assets today of \$1.5 billion and revenues and operating income for the latest twelve months of \$710 million and \$34.9 million, respectively.

Along the way we've developed major industry positions not only in leasing, but in insurance and management services as well. In fact, today our principal subsidiary, The Reliance Insurance Companies, founded in Philadelphia in 1817, contributes 80 percent of combined divisional revenues and operating income.

So while we're still a major factor in leasing virtually all kinds of capital equipment, as a group of companies providing a broad range of services on which a growing number of people depend, we are a great deal more.

That's why effective today, December 17 Leasco Corporation becomes Reliance Group, Incorporated.

# Reliance Group

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## ● ELECTRICAL CONTRACTORS

## Selective wage increases urged

A CALL to the Government to admit its mistakes, a warning of 2 to 3m. unemployed by the Spring and strong criticism of many union leaders were made by Mr. M. A. Stothers, vice-president of the Electrical Contractors Association in Manchester. He was speaking at the annual dinner of the association's Manchester branch.

Mr. Stothers said the British people were the world's best at being cheerful in the face of adversity, but how long would they be prepared to put up with convenience at the beginning followed by a reduction in the standard of living and ultimately, for many, unemployment, the dole and social security?

He said: "We must not allow either Left-wing trade union leaders, or an inflexible Government to drive us back to those vividly remembered days of depression."

If the present problems are not solved within the next few weeks, between two and three million unemployed is probable by the Spring."

Mr. Stothers believed there was a solution. He said that Government (which was irrelevant) should be prepared to admit its mistakes. There were two fundamental mistakes: first, the introduction of the Industrial Relations Act when

both trade unionists and industrialists had warned it would not work—and it had not. Not one major dispute had been solved or even helped by the Act. It was a bad Act and bad law encouraged law-breaking.

Second, having recognised that inflation was running away, efforts had been made to cure it by using short-term measures to fight long-term problems. "Restraint must then be placed on the industries which have established higher rates of pay recently to allow those who have fallen behind to have larger increases so that their respective

positions are re-attained. Only some such selective method will work in the long term."

He went on to say that standard increases of 3 per cent. would not work because they were set by civil servants who did not understand that far more important in the worker's mind than a comparison of his wage packet with the cost of living was how he had fared compared with the man next door or the other man on the same site.

"You cannot convince me that an electrician will be happy with less pay than a bricklayer's labourer," he said.

Business fuel rationing

BUSINESS USERS calling at post offices for their vehicle fuel ration books over the next three weeks are asked to call on the correct day for the particular initial of the name shown in the log-book.

The system works in the same way as did the issue of basic coupons to private motorists—alotted days for specific initials. Coupons for A, B and C have already been issued.

All those whose name begins with D or E should call for their coupons to-day, with the log-book and the completed application

## Drumbuie inquiry resumes

By Our Own Correspondent

SKYE, Dec. 16.

AFTER A three-week adjournment, the public inquiry into the proposed oil production platform construction yard at Drumbuie, Wester Ross, resumes to-morrow at the Balmacara Hotel, near Kyle of Lochalsh. In its initial two weeks, nine witnesses gave evidence for the joint applicant, John Mowlem and Taylor Woeley Construction, who want to construct 10 250,000-ton deep water concrete platforms—well heads—over a 15 year period.

The yard is planned for the south shore of the Loch Carron and owned by the National Trust for Scotland, which will, Ross and Cromarty Council and others, have objections to the project.

Seven QCs represent various interests ranging from the Department of Trade and Industry, which backs a scheme, to the local bagpipe society, which is against it. At least 12 more witnesses are being put forward by the applicant, whose presentation will be followed by the DTI and the Highlands and Islands Development Board before the objecting parties will be heard.

## ● NORTH SEA

## Shetland anticipates rise in population

BY CHRIS BAUR

SHETLAND EXPECTS that its 17,000 population could rise by almost 20 per cent. in the next three years as the full impact of development on the North Sea oilfields to the east of the islands makes itself felt. By Easter, the county council there hopes to be ready to start spending about £25m. on port facilities which will be crucial to the East Shetland basin fields.

The council, which employed consultants to assess the impact of the oil industry on Britain's most northerly community, now estimates the first wave of development will produce a demand for between 400 to 500 houses to accommodate permanent staff for the bases and oilfield installations in the period to 1976-77. The population in the islands is at least 1,200. Temporary labour engaged in

house construction and civil engineering works will total about 1,500 over the same period, the council predicts.

It is most unhappy about this prospect, according to Mr. Ian Clark, Shetland's county clerk and general manager. The council's forecasts will be explained this week to Lord Polwarth, Minister of State at the Scottish Office, and the Government's co-ordinator of North Sea oil activities. He starts a three-day tour of Shetland to-morrow.

Special powers have been granted to the council (subject to House of Lords approval) for controlling and undertaking oil-related investments, notably on the Sullom Voe deep-water inlet, to 1976-77. The population in the islands is at least 1,200. Temporary labour engaged in

## Lights stay bright at winter sports centres

BY ARTHUR SANDLES

HEAVY SNOW which fell in ski forbidden land of bright high villages of the French Alps this week-end, added to European governmental fuel guarantees, caution over fuel, and only promises a merry Christmas for the Continental winter sports state of the pound.

Both the French and Austrian Governments have said so far that whatever else happens, foreign tourists will have all the fuel they need to escape from domestic chill to Alpine comfort. Large areas of the mountains are powered by hydro-electricity, but the guarantee also applies to petrol for tourist cars.

Here in the French ski station of Les Arcs, Erna Low Travel, the British tour operator, opened a new hotel this week-end. Such has been a rush of Britons to the slopes during recent weeks that VIP guests at the opening had to be billeted in other hotels to the Erna Low project, the Winston.

For the British, winter sports centres at the moment are like a home.

UPK 1001 570



John's 50

## Healey would seek more tax from £4,000-a-year man

BY RICHARD EVANS, LOBBY CORRESPONDENT

UP IN public expenditure and higher taxes on incomes, luxuries and property speculation were advocated yesterday by Mr. Denis Healey, Chancellor, as a means of ensuring national support for combating the economic crisis.

On the eve of Mr. Barber's financial statement, Mr. Healey emphasised that cuts must be selective so that growth could resume when oil supplies increased.

Interviewed on the BBC radio programme World This Week, Mr. Healey agreed the country was facing a crisis "of wartime proportions" in the short term, but could look forward to the production of North Sea oil in a few years.

It was essential to plan any carefully and to avoid over-investment in essential industries like steel, coal, electricity and public transport. He therefore advocated cuts in "less essential" areas such as defence, roads, Maplin and the Channel Tunnel.

### Living costs

There would inevitably have to be a drop in living standards in the country as a whole, and it was only fair that this should be shared—with the rich providing a high proportion. Mr. Healey's estimate was that it would be necessary to increase taxation by 10 per cent. on incomes above £4,000 a year.

Loopholes such as tax-free interest should be closed and capital gains tax increased. It was also important to punish property speculation so that increases in property values were taxed even if property did not change hands. This would stop the "speculators" and it would also bring down property values.

Mr. Healey argued that the Government should avoid raising the cost of living by increasing taxes on essentials, but he would

be in favour of special taxes on consumer durables such as television sets, washing machines and cars.

He believed if the Government followed this advice it would not only solve the economic problem but would create the sort of national unity needed to make future economic progress.

Mr. Reginald Maudling, former Conservative Chancellor, did not see how higher income tax could be relevant in the present circumstances as it could not take effect for several months. He did see a definite case for cutting public expenditure, however, particularly in the roads programme.

Mr. Enoch Powell, Conservative MP for Wolverhampton S.W., also interviewed on BBC radio, continued his bombardment of Government policies. Asked whether he was frightened that a concerted attempt was being made by unions to bring the Government down he replied:

"The Government has done more to bring itself down by its futile and impractical policies than all the Communist-led unions real or imaginary in the world could have achieved."

He hoped Mr. Barber had received authority from his Cabinet colleagues to bring total Government expenditure and receipts so nearly into balance that additional money that caused inflation would die out.

Mr. Powell would prefer to see public expenditure programmes reduced gradually rather than by "wild all-the-way-round slashes" which were never economically effective.

In the circumstances, he would favour increased direct taxation rather than piling additional taxes on to the price of goods. While realising the technical difficulties, Mr. Powell hoped some arrangement could be made for immediate increases in the collection of direct taxes.

## Feather delegation asks TUC to help organise Africans' unions

BY BRIDGET BLOOM, AFRICA CORRESPONDENT

THE BRITISH trade union movement has an obligation to assist black workers in South Africa and, in co-operation with the International Confederation of Free Trade Unions (ICFTU), should seek on a massive scale the organisation of African workers into trade unions.

These are two of four major recommendations of a report, published at the weekend by the TUC delegation which visited South Africa in October. These recommendations, if not the others, seem certain to be opposed by the South African Government, which is likely to see in them interference in its internal affairs.

The TUC delegation, which included Mr. Vic Feather, its former general secretary, and Mr. Jack Jones, General Secretary of the TGWU, also recommends that opposition to British investment should be continued unless British companies operating in South Africa can show in a practical way that they are encouraging and recognising "genuinely independent" trade unions for black workers.

It also recommends that the TUC should firmly oppose the emigration of white workers to South Africa, on the grounds that black workers should be trained and employed in preference to new immigrants, and that this policy should be backed by the ICFTU and affiliated unions.

The 33-page report, which is opposed to any move to allow black workers to organise because of the implied threat to their own members' jobs. But "the lack of courage of the employers is matched even



Mr. Vic Feather



Mr. Jack Jones

Labour, Mr. M. Viljoen, and the Prime Minister, Mr. Vorster. The South African Government's belief that present legislation (which effectively prevents Africans forming trade unions) is adequate to South Africa's needs and should not be changed, comes across very clearly in the report.

So, too, does the opposition of the white South African unions to the unionisation of black workers. Many unions, the delegation found, were totally opposed to any move to allow black workers to organise within the limits of existing law, to encourage African trade unions.

Even though some British

companies had responded quickly to the strikes earlier this year and had increased African wages, employers were still "dragging their feet in setting up legally allowable negotiating machinery."

Finally, the report recognises the problems of African workers themselves, who were suspicious of existing legislation, and feared intimidation from managements or the police. The delegation found African workers regarded the recently reactivated works committees and liaison committees, "as inferior compared with properly organised trade unions and they regarded the recent legislation as principally intended to prevent the development of effective trade unionism for black workers."

However, the TUC report does see some hope in the present situation. "Perhaps at no previous point in South African history has the time appeared as opportune for the development of African trade unions as it does today."

The report adds: "The fact is that Africans are permanently in industry, permanently in white South Africa, and permanently in industrial relations. What is changing is their status and situation."

The report spells out the assistance which the delegation is recommending should be given by the TUC and the ICFTU. It envisages a committee in London "to maximise international support for African trade union organisation." Up to £100,000 should be raised through appeals directed to trade unions, individuals and progressive organisations throughout the world, including African countries.

## Crown plans £4m. spending in 1974

BY RAY DAFTER

CROWN PRODUCTS GROUP, in the industry that when work part of Reed International's Wall men are forced to stay at home. Paper Manufacturers, plans to increase its promotional budget for "do it yourself" decorators to £4m. next year, in spite of the anticipated drop in production and demand.

Mr. Bill Green, chief executive, said much of the spending—some 30 per cent. up on this year—was transferable.

If it were found possible the company could switch some of its campaign to overseas markets where Crown would like to have a bigger foothold. It exports a little over 5 per cent. of its output.

Mr. Green said that the rail dispute and cutback in private motoring would have given manufacturers of paint and wall paper a boost. It is recognised materials.

## Conference to discuss Law of The Sea agenda

A REVIEW of the major topics Group Directorate, chairman, which are due for discussion at the United Nations conference on the Law of The Sea at Caracas, Blair, an international law advisor for Shell International Petroleum, will be made at a two-day meeting in London at the Hilton Hotel on February 27-28. Professor A. Vankov, Bulgarian Ambassador to the U.K., Mr. Jorge Castaneda, Ambassador and permanent representative of Mexico of the United Nations in Geneva; Mr. J. W. Hopkins, president of Lockheed Petroleum Services; Dr. Jur Harold Rieger, Law Department, University of London; and Mr. Austin Laine, Director General of the British Trainers' Federation.

The speakers will include Sir Roger Jackling, leader of the U.K. delegation to the Caracas conference; Mr. W. R. Russell, chairman of Maritime Law Committee, U.K. Chamber of Shipping; Mr. Finn Scheie, member with Wilhelmsson Department of the Interior.

## U.K. seeks changes in EEC proposals on company mergers

BY PHILIP RAWSTORNE

CHANGES IN the EEC Commission's proposed regulation for controlling company mergers are being pressed in Brussels this week by Sir Derek Walker-Smith, Conservative MP for Hertfordshire East.

The draft regulation at present provides for any merger of undertakings with a global turnover of £500m. to be notified to the Commission. Such a merger would then be held up for three months for a Commission inquiry.

It is estimated that more than a third of the mergers to be notified would involve British companies. The draft regulation has encountered opposition from both the Confederation of British Industry and the International Chamber of Commerce.

At a meeting on Wednesday

of the European Parliament's legal committee, Sir Derek will seek support for amendments which would require the Commission to set more precise public interest criteria for inquiries and which would exempt British mergers approved by the Monopolies Commission and Restrictive Practices Court.

He will also attempt to change the regulation so that companies can back their own judgment by going ahead with mergers during the period of the Commission's inquiry.

The EEC's policy on competition, take-overs and mergers is expected to be debated at the European Parliament in Strasbourg next month. If Sir Derek fails to carry his amendments this week, he will table them again during the parliamentary session.

## EEC inquiry into common ports policy

BY PHILIP RAWSTORNE

FOUR BRITISH port authorities gave evidence in Brussels this week to a European Parliament inquiry into possible moves towards a common EEC ports policy. The inquiry, by the Parliament's Regional Policy and Transport Committee, will be headed by Mr. James Hill, Conservative MP for Southampton East.

Representatives from London, Liverpool, Glasgow and Southampton will attend the hearings, together with 18 other European port authorities.

Under the EEC Treaty, shipping is exempted from common policies in the transport field. With the enlargement of the Community, there has been a growing demand in the EEC for co-ordination of at least some aspects of policy in the member States.

The interdependence of Europe's ports is being emphasised by the oil crisis, and the committee seeks views on possible harmonisation of such policies as investment, subsidies, dues and working conditions.

## Tory MP attacks Maplin project

THE MAPLIN AIRPORT project will turn Thameside into a new blower Tees-side on the Essex and Kent. Mr. David Crouch, Conservative MP for Canterbury, said yesterday, "It is added that it was of more immediate significance that to Maplin go ahead 'would constitute and unnecessary addition to our present burden of inflation'."

Mr. Crouch, vice-chairman of the Conservative Industry Committee, stated: "There is an case for a third London Airport, and there is certainly no case for spending £1,000m. so recklessly 'What we have to do is to make the right decisions, and to say yes to Maplin would be wrong both economically and environmentally. It is a massive extravagance which the nation cannot contemplate.'"

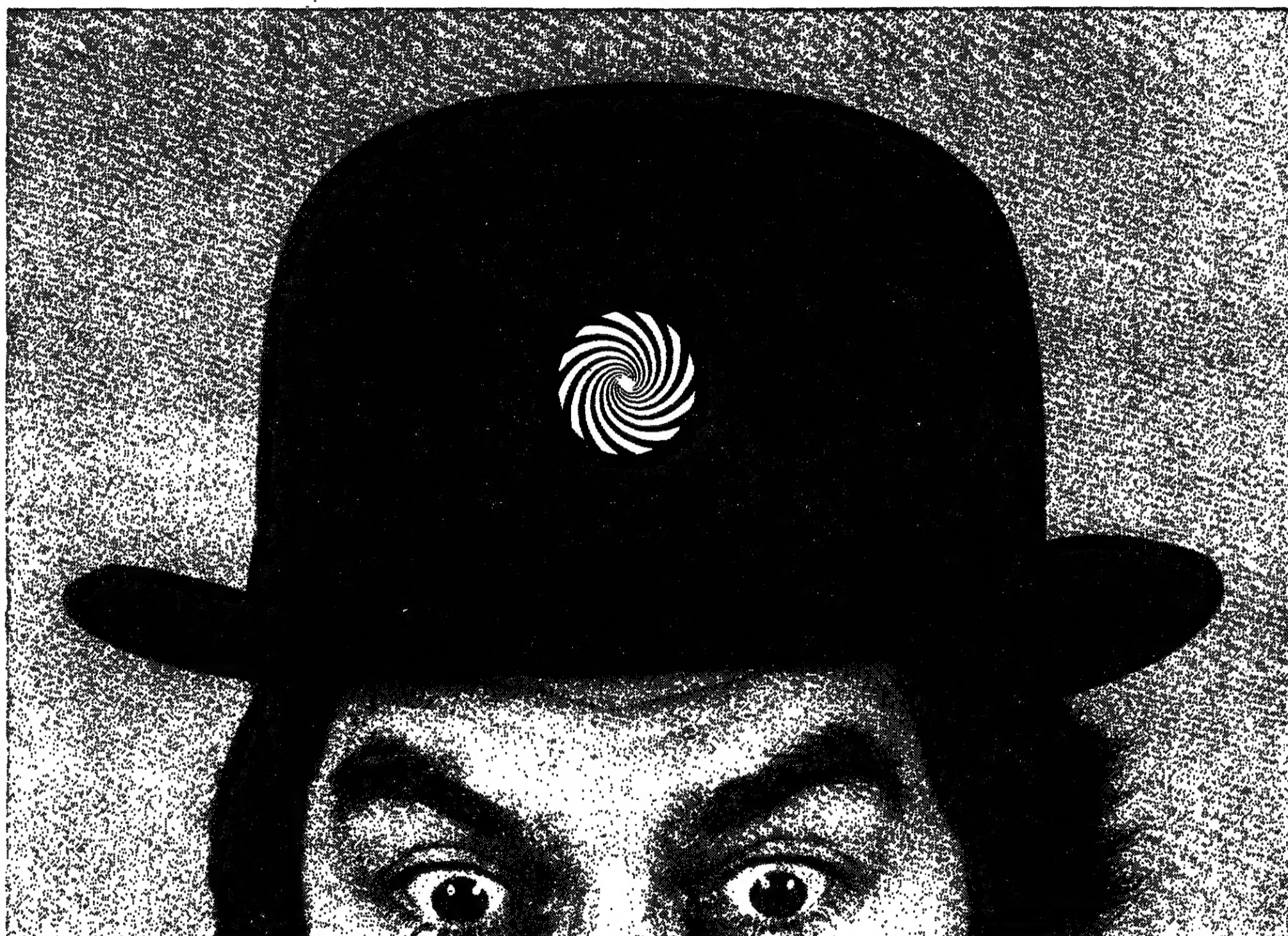
Mr. Crouch was replying to an article by Mr. David Madel, Tory MP for South Bedfordshire, a Maplin supporter, in the same edition of the Swinton Journal, a magazine of the Swinton Conservative College, Masham, Yorks. He claimed that many aviation experts regarded coastal

sites as "most hazardous" for aircraft because of danger from flocks of birds.

In any case, the British Airports Authority and the CAA had both stated that Maplin was not needed.

Mr. Madel, in support of the idea of an "environmental airport," argued that "for the first time any... in the world a Government has decided to site a new airport not where economic and aviation factors dictate, but where the noise, pollution, blight and loss of land can be kept to a minimum."

"If nothing is done conditions will get incomparably worse at Heathrow, Gatwick and Luton." Basically, the Maplin project involved six inter-linked operations: Removal from Defence Island of the Ministry of Defence; construction of a communications network for south Essex; and the new city which would house airport and seaport workers.



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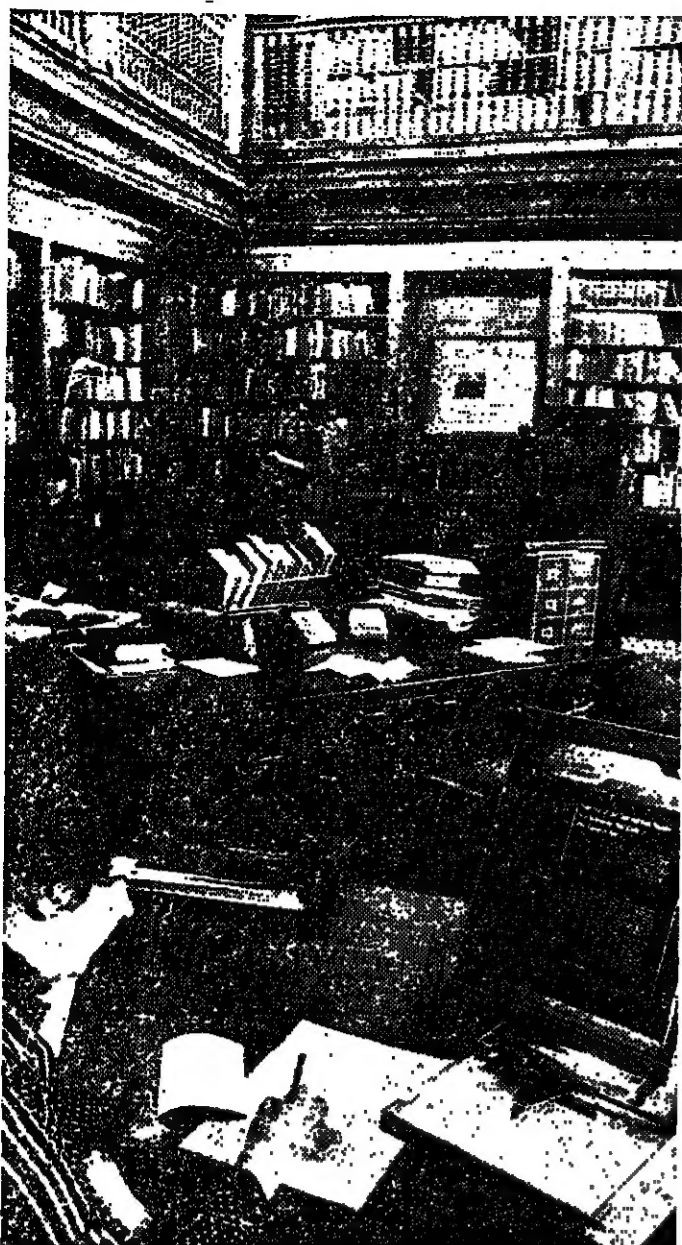
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# The Executive's World: The Office

BUSINESS LIBRARIES

## For good decisions you need the facts



Freddie Mansfield

The library at ICI's HQ in Millbank, London, meets the needs of head office staff and certain requirements of the U.K. divisions and overseas associates. It handles a wide range of business information; many other companies have now set up business libraries too.

**BUILDING** up a business library is a costly operation these days, especially in the City where stockbrokers, banks and insurance companies are paying up to £20 per square foot for floorspace. But a massive investment is nevertheless being made simply because up-to-date information is a vital component of every business' operations.

It has taken a long time to convince management that a business library is not for general education or recreation but for the exploitation of information. Profitability depends on getting accurate, relevant information to the policy makers. Yet in the office, inadequate or inaccessible information is still the executive's biggest time-waster. This is not because of too little information—quite the opposite. External influences such as fashion, market changes and new legislation generate a vast flow of information which the executive must absorb and understand.

The time-honoured methods of collecting information from lectures, trade fairs, conferences and colleagues continue, but the volume of information both needed and received far exceeds the capacity of executive to absorb it. Subsequent searching for data is both time consuming and costly.

### Available

Last week an accountant friend of mine visiting London from Manchester spent a whole afternoon at Companies House establishing the ownership of a construction company. The information he sought was freely available from Manchester Commercial Library who would have provided it in seconds from a directory called Kompass.

The remedy is a business library. Just as industry set up libraries in the 1960s to harness the technical information explosion, it is creating business libraries to cope with the flow of commercial information. These libraries are often called "information centres" and their staff "information officers" to emphasize their role as ex-

plorers of information rather than custodians of books.

If business information is so important, should managers leave the work in the hands of company librarians? I believe the answer is "Yes." Librarians alone are trained to monitor, store and retrieve published information. The executive can rid himself of an impossible chore and can decide when and in what form he will receive information. The business librarian can hold a watching brief for information on any subject. Furthermore he should be able to act as a filter, selecting relevant information from the volume of reports, pamphlets, trade catalogues, journals, newspapers, directories and advertisements. Alternatively, when the executive needs fast daily access to external data, which he knows exists but cannot find, he can tell the librarian to find it for him.

While the executive often seeks advice from friends, the business librarian works through trade associations, research establishments, institutes and other sources committed to storing the information.

The link between the executive's desire to shed the information burden and the business librarian's ability to handle it, is financial. Costs can be cut by preliminary literature searches to prevent costly market research which would otherwise duplicate published findings.

A trained librarian may cost his company £3 an hour when making an information search. But he does the work more quickly and efficiently than a senior executive whose time is wasted while he founders in searching unfamiliar literature. Substantial cost savings can be made by cutting down duplication of newspapers, magazines, books, directories and legislation purchases.

Slowly companies are realising that libraries like consultants can actually earn fees through their specialisation. The CEB's information services place a handling charge on bibliographies and translations re-

quested by outsiders. A substantial part of the annual £10,000 operating cost of the Institution of Chemical Engineers Library is recovered by a £25 subscription which gives subscribers up to 10 hours of technical or commercial information work.

### Annual fee

The Specialist Research Group, part of the Kimpfer family of advertising and marketing agencies, offsets the cost of its own group information service by providing a full service to companies outside the group either at a negotiated annual fee, or at a £7-£10 hourly rate.

The library of the Middle East Economic Digest, regularly drawing on over 1,000 sources of published information, is available to external users at a minimum of £5 a half day, which includes the help of the library staff. Research undertaken by the librarian is costed in advance.

There are even examples of profit-making libraries. The library of Computer Information Centre, specialising in information on commercial data processing in business has in only four years built up 200 external subscribers at negotiated fees between £125 and £1,200. The annual operating cost of the library is £28,000 and its income £34,000.

The modern business library is economical by using many such services, instead of building up data of peripheral or transitional interest. Occasionally it can even earn some income itself by offering its specialist information to others.

If the new generation of business librarians demonstrate their ability to replace the executive's information burden by orderly monitoring, storing, retrieving and advising of important information, they will hold a secure place supporting the company's policy makers. Top management needs accurate information on which to base its daily decisions which must make money or save money, now or in the future.

ALAN ARMSTRONG



Freddie Mansfield

## The Chairman's Son

Even these days people aspire to the top jobs in industry. Mark Ingham (above) has equipped his office to handle the complexities of the power crisis. Sitting behind a prestigious Play Desk, complete with magnetic blackboard, he tunes into the latest news bulletin on his Happy Birthday Pocket Radio. Reaching for the Charter Telephone, he can learn the views of men on the shop floor. There will be little opportunity to pass the

time of day starting at the Music Box Clock Radio.

All the toys are marketed under the Fisher-Price label by Mettoy which makes three-quarters of the range it offers at Swansley and imports the rest from Fisher-Price, a Quaker Oats subsidiary, in the U.S. Happy Birthday for the balance of payments, it supplies distributors in France, West Germany and the Benelux as well as other European countries.

## The American typewriter reaches its century

BY DOINA THOMAS

WHILE 1973 will be memorable for its mammoth crises it will also celebrate a centenary that deserves a few moments' recognition. This year the Americans can commemorate the centenary of the first commercially successful typewriter, marketed by the Remington company in 1873.

But Italy celebrated the centenary of the typewriter in 1965 and Austria did so nearly a decade later in 1964. In fact in the half century before the launch of the first successful Remington marketed machine a lot of research into the possibility of a mechanical writing machine had been done in Europe.

Four little factors account for the success of the first commercial typewriter and the relative failure of the European experiments of the previous fifty years. These were the confluence at the right time of an ingenious and painstaking inventor, a powerful promoter, an inspired manufacturer and a super salesman.

The roles were taken respectively by Christopher L. Sholes, the inventor, James Densmore, the powerful promoter, Philo Remington as manufacturer, and the appropriately named George Washington Newton Yost as salesman.



Remington's first commercial typewriter, 1873

Sholes, the editor of a Milwaukee newspaper, worked closely with Carlos Glidden, a local lawyer, on the invention. James Densmore, a former newspaper colleague, acted as promoter and financier of the project

from 1867 and was the driving force behind the work which in 30 months later, to a machine which would stand up to use.

When it was ready in late 1873 Densmore called in Yost to see the project to a manufacturer. Yost chose Remington.

Neither the Italian nor the Austrian accredited with inventing the first typewriter had the kind of backing. The Italian Giuseppe Ravizza lived Novara and made typewriters a hobby and in 1865 took out patent for the *Cembalo Scrivano* or writing harpsichord.

His Austrian counterpart was very unlucky. Though Emperor Franz Joseph gave Peter Mitterhofer 200 guildes for his wood and wire machine he did not persuade the Austrian Civil Service to promote it. In fact Mitterhofer's best ally was his local village priest in Meran (now Merano in the Italian Tyrol). It was not until the beginning of the century that Mitterhofer's models were discovered, long away in his attic.

The information was supplied by W. B. Proudfoot whose book "Origin of the Typewriter" will be published early next year.

## Saving space on filing

BY ROY LEVINE

WITH OFFICE rents as high as they are, especially in the City of London, space saving is becoming a priority in cutting overheads.

One way to achieve that is by installing compact filing systems, like the one bought by American Express International Banking Corporation for its new offices in the City. To save space, the management decided to merge the filing systems for the separate medium term lending unit and the retail banking side. New files are made at the rate of about 40 a week to add to the existing load of some 8,000 files.

The management, advised by JFN Associates, dispensed with 38 filing cabinets and spent £2,659 in installing the Supreme mobile filing unit marketed by Peter Williams (Filing Systems). Supreme is a real role of mobile filing racks. The front cradles roll either to left or right allowing the rear cradles to slide forward and back. Units can be stacked eight cradles high.

A typical unit has 5 rear and 4 front cradles and takes up about 45 square feet instead of the 160 square feet needed by conventional filing cabinets to hold the equivalent capacity. Costs differ according to client needs but an initial unit of 2 rear and 1 front cradles costs just under £500.

Mr. R. L. Taylor, sales manager of Peter Williams (Filing Systems), reckons that savings in overheads like rents and labour can vary between 20 per cent. and 30 per cent.

Although there are no official figures for the filing market in the U.K., some estimates range upwards of £30m. a year and growing at the rate of between 12 and 15 per cent. a year. Shortages of raw materials such as steel and paper, however, could affect growth over the foreseeable future. Peter Williams, for example, is now taking orders for delivery in March next year because of delays through materials shortages.

Mr. L. A. Bowden of American Express said the aim of installing the Supreme system was to maximise the use of expensive floor space by having a floor-to-ceiling system covering only 170 square feet. Moreover, because of the easier access of files, 58 per cent. of which are visible, the volume of files handled could be increased without having to employ more staff.

## The handwritten reply

FACED with the now traditional temporary secretary problem this summer, the design group Conran Associates hit on a novel solution. The executives write their own letters by hand. "We are fortunate in that being designers most of our people have good handwriting," comments Chris Haynes, managing director, in reply to the obvious first question—will the recipients be able to read the letters?

The difficulty that Conran encountered with temporary secretarial staff was not shortage of supply or quality but the fact that they could not be used efficiently. "The kind of girls we employ are self-starters but of course they need to know our business."

The obvious answer seemed to be, make do with fewer secretaries so that the summer holidays do not affect the business so much. The obvious way to do this was to reduce the burden of work on the secretaries, hence executives writing their own letters.

But being designers Conran was not satisfied with scribbling on any bit of paper, so it devised an elegant system. The only snag so far is that the system depends on a copier and is always breaking down.

One copier is loaded with Conran headed paper with lines ruled on it, just as on a school essay paper. The lines were necessary for legibility. There is a flash on the head which announces, "This letter handwritten in the interest of speed and economy, please let me have your comments."

The incoming letter is photocopying on to the back of lined Conran writing paper. The usual polite openings are written with a slight variation. "Thank you for letter of which, which is overleaf," and it gets down to business. A photocopy of the outgoing letter is made for Conran's files.

So far the company received very few comments. It admits that it is a little early to evaluate the exercise which has only been going five months. "Its true value will show in next summer when we encounter the same problems," says Haynes. He hopes to save the costs of secretaries out of the 85 employed by the company—saving of £2,000 a year. Then copying costs are likely to go by 10 per cent. at the most, should not reach the £2,000 in Overprinting of the ordinary headed paper only cost about 1,000 sheets. D.M.

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## OVERSEAS NEWS

## Egypt blames delay on Israeli 'Cabinet crisis'

BY WILLIAM DUFFLOR

CAIRO, Dec. 16.

THE OPENING of the Middle East peace conference in Geneva on December 22, the new date dictated last night by Mr. Ismail Fahmy, the Foreign Minister, has been the subject of Mr. Henry Kissinger's talks with Egyptian officials. They blame the three-day postponement on the "crisis within the Israeli Cabinet" over the release of prisoners held by Syria and the Jordanian delegation. Although Israel objects to the "umbrella" for the conference, this is not thought here to be the major obstacle. More serious is the issue of the Israeli prisoners held by Syria and the Jordanian delegation. Although Israel objects to the "umbrella" for the conference, this is not thought here to be the major obstacle. More serious is the issue of the Israeli prisoners held by Syria and the Jordanian delegation.

did not imply there would be no break for the holidays. It was explained today. Fahmy was affirming that there would be continuity in the conference work and no major postponement.

The Cairo Daily Al-Ahram underlined the Egyptian case for U.N. cover of the conference to-day. Any disregard of the U.N. umbrella, even in questions of form, would constitute a precedent for disregarding the U.N. resolutions as a basis for settlement.

"The crisis is maintaining its inflammatory character, only because of Israel's obstinate defiance of the rules of international legitimacy," the newspaper commented. Al-Ahram reported today that Mr. Vladimir Vinogradov, the Soviet Ambassador in Cairo for the past three years, will head the Soviet delegation to the Geneva conference and will take over from Mr. Andrei

Gromyko, the Soviet Foreign Minister, who will attend the opening.

Egypt continues to maintain military pressure along the ceasefire front. The UN spokesman here reported 65 ceasefire violations on Thursday and 26 Israeli complaints, the majority concerning forward movements by Egyptian forces. On Saturday the UN recorded 51 violations, including mortar and artillery fire, but they were described as "not serious" by the spokesman.

The minor, testing probes by the Egyptians are designed to keep the Israelis mobilised and to warn them that Egypt is ready for another bout of fighting. Meanwhile January 20 has been fixed as the date for the convening here of the Palestinian National Council. It will be followed by a Palestinian national rally, bringing together over 500 representatives, according to Cairo newspapers.

## Sumed contract signed

BY WILLIAM DUFFLOR

CAIRO, Dec. 16.

EGYPT YESTERDAY inaugurated the third blast furnace at the Helwan iron and steel complex, tripling its annual steel capacity to 900,000 tons. The signing of the Sumed pipeline contract with the U.S. for the construction of the \$400m. twin oil pipeline to carry 80m. tons of Gulf crude a year between Suez and Alexandria.

Built with Soviet finance and technology, the Helwan complex has cost \$150m. to date, of which \$80m. is in foreign exchange. The Soviet Minister for Heavy Industry, Mr. Yury Yakubovskiy, headed an imposing Soviet delegation to the opening ceremony performed by Vice-President Mahmoud Fawzi.

The signing of the Bechtel contract for the building of the SUMED pipeline finally puts paid to the hopes of the West European consortium which, with Government backing, had been negotiating for over two years for the project.

## Algeria angry at French blast

BY ROBERT MAUTHNER

PARIS, Dec. 16.

THE BOMB explosion at the Algerian Consulate in Marseille on Friday, which killed four Algerians and wounded 16 others, has again threatened the whole Middle East relationship between France and Algeria.

French settlers in North Africa had been thrown out by violence and that it would do the same to North African immigrants in France. It also attacked the French Government for bowing to Arab threats, saying that it was "better to ride a bicycle than to crawl."

Whether or not this group is in fact, behind the bomb attack, has not yet been clearly established. But there seems little reason to doubt, on the basis of past evidence, that it was the work of extremist former French settlers in Algeria.

## Major Soviet farm reform plan

MOSCOW, Dec. 16.

THE SOVIET UNION, backed by an all-time record grain harvest of 222.5m. tons, has embarked on the greatest reorganisation of farming here since Stalin collectivised the peasants over 40 years ago.

Mr. Leonid Brezhnev, General Secretary of the Soviet Communist Party, outlined plans for Soviet economic development in a major speech to a Communist Party plenum a week ago. To-day the Soviet Party daily, Pravda, makes the first disclosures of what Mr. Brezhnev had said, announced that the present system of collective farms (kolkhozes) and State farms would give way to larger and more integrated units, with increased specialisation in livestock breeding, fodder production, and other food output.

Pravda to-day said the new farming system would also have to accomplish social tasks. This seems to indicate the creation of larger self-supporting rural communities better provided with health, educational and other services—a way to remove the stigma of second class citizenship from the Soviet Union's more than 100m. people who live and work on the land.

## H.K. official sterling reserves guaranteed

HONG KONG, Dec. 15.

THE HONG KONG Government has announced that it has reached an understanding with Britain under which the colony's official sterling reserves will be guaranteed until March 31 at the rate of \$2,423 to the pound.

A Government spokesman said it was the result of detailed discussions over some months involving the application to Hong Kong of the unilateral offer by the British Government last September that it would continue to guarantee certain sterling reserves for six months at the new rate of \$2,423 after the expiry of the Basic agreement.

Under the five-year Basic agreement which expired on September 24, all Hong Kong's sterling holdings were protected at \$2.40 to the pound. In return, Hong Kong agreed to deposit 88 per cent. of its foreign reserves belonging to the colonial government or commercial banks in London.

The Hong Kong government does not publish figures of reserves, but last September they were estimated at around \$700m. of which between one third and a quarter were held by the banks and were not official government reserves.

According to today's announcement the new agreement specifically excludes the sterling balances held by local banks. It said the decision to exclude the banks' holdings from the guarantee "reflects the fact that the sterling holdings of local banks are no longer judged to be sufficient to warrant their inclusion."

Informed banking sources said the local banks had been selling sterling for some time and had now diversified their holdings.

## Israelis fear U.S. seeks unacceptable concessions

BY L. DANIEL

TEL AVIV, Dec. 16.

DR. HENRY KISSINGER, U.S. Secretary of State, emerged from a three-hour meeting with the Israeli Prime Minister, Mr. Golda Meir, to-night and told reporters that things were going "very well". Israel's Ambassador to the U.S., Mr. Simcha Dinitz, who came out of the building with him, agreed.

Foreign Minister Mr. Abba Eban, who emerged earlier, said the atmosphere at the meeting was "of the cordiality we always have with meetings with Dr. Kissinger."

Dr. Kissinger first met Mrs. Meir privately, and they were then joined by the Defence Minister, Mr. Moshe Dayan, and Mr. Eban. The talks began soon after Dr. Kissinger arrived.

At various times during the meeting officials were seen emerging from the Prime Minister's office, including Lieutenant-General David Elazar, the Chief of Staff, and Major General Aharon Yariv, who represented Israel at the ceasefire talks at Kilometer 101 on the Cairo-Suez Road.

After the meeting Dr. Kissinger went to Mr. Eban's home for a working dinner to be attended by Mr. Dayan and others. Mr. Eban said that if their work was not completed to-night there would be further talks to-morrow.

The U.S. Secretary of State, Dr. Henry Kissinger, arrived at Lod Airport this afternoon and proceeded immediately to Jerusalem for his initial meeting with Mrs. Golda Meir, the Prime Minister.

Dr. Kissinger's mission is viewed with grave forebodings in Israel. The fear is that he will demand concessions by Israel to Arab aims, despite anonymous warnings designed to get the Geneva peace talks going and to satisfy Arab demands—which are completely unacceptable here.

Prior to the Secretary of State's arrival here the impression has been that he has gone more than half way to meet Arab conditions at Israel's expense.

First, the agreement of the partner.

## Syria insists on return to October 22 lines

BY HANAN HAJAZI

BEIRUT, Dec. 16.

DR. HENRY KISSINGER, the U.S. Secretary of State, has not yet been able to persuade President Assad to provide a list of Israeli prisoners-of-war in response to the demands of Mrs. Golda Meir's Government, according to informed sources.

Nevertheless, Dr. Kissinger described his talks with the Syrian leaders on Saturday as extensive, frank and very fruitful. He also declared that another 20 years will not elapse before a student sitting at the Beirut U.S. Secretary of State visits Syria again and that contacts with Damascus will continue.

The sources said Dr. Kissinger is expected to take Syrian conditions for the exchange of prisoners to Israeli leaders when he goes to Tel Aviv to-night. The Syrians are reported to insist on 22 positions in the Golan Heights. This would mean from the Syrian point of view, a withdrawal by Israeli forces from two new posts on Mount Hermon occupied on October 23.

ing the oil embargo against the U.S., he was told Saudi Arabia will make a significant gesture on the oil supplies when the Geneva talks show signs of progress regarding Israeli withdrawal from Arab territory.

The sources pointed out the atmosphere between Kissinger and Saqqaf was so relaxed that the latter was calling Kissinger "Henry" throughout the talks. Strict security measures here, a student sitting at the Beirut international airport and a demonstration by Leftists led to a last-minute change of plans for the arrival in Lebanon of U.S. Secretary of State Dr. Henry Kissinger.

Dr. Kissinger's Boeing landed at the military base at Rayak in the Bekaa Valley, some 45 miles east of here, instead of landing at Beirut airport. At Rayak Dr. Kissinger and his aides had a working lunch with President Suleiman Frangieh, Premier Takiyeddin Solh and Foreign Minister Fuad Nafkah at the officers' club.

They were referring to the post-ponement of the Geneva talks on the Middle East and to the fact that the ceasefire talks between Egypt and Israel at Kilometer 101 had produced no effective results.

One paper, the pro-Cairo Al-Arwar, warned that Dr. Kissinger will definitely fail in his mission if he does not begin by finding a solution to the original Palestine question.

At this time, tension continues to rise on the Golan Heights as clashes between Syrian and Israeli forces have become a daily affair. Syria has accused the Israelis of seeking to fortify their positions on the northern and central sectors of the heights and said her forces have orders to stop the enemy.

Reuters reports from Amman: The U.S. Secretary of State, Dr. Henry Kissinger, and his aides had a working lunch with President Suleiman Frangieh, Premier Takiyeddin Solh and Foreign Minister Fuad Nafkah at the officers' club.

Most opinion columns and cartoons in the Press here were devoted to-day to the Kissinger visit. The Right-wing daily Al-Hayat featured the U.S. official as a Santa Claus bearing gifts, but editorials in other newspapers noted that despite the decorative paper and ribbons with which the packages are wrapped, they remain empty.

Fiatt may shut till New Year

BY ANTHONY ROBINSON

ROME, Dec. 16.

FIAT is examining with the trade unions the possibility of closing its major car plants from December 22 to January 3. The closure, which would include four normal working days between the Christmas and New Year holidays, is aimed firstly at saving fuel and energy and secondly at clearing-up the backlog of half-finished vehicles currently awaiting parts.

The unions are reportedly willing to accept the longer holiday period now, without loss of pay, on the understanding that these will be made up later in the year.

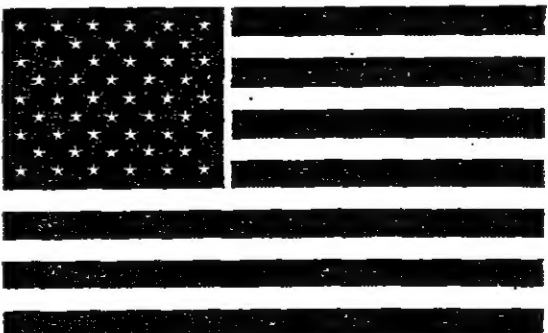
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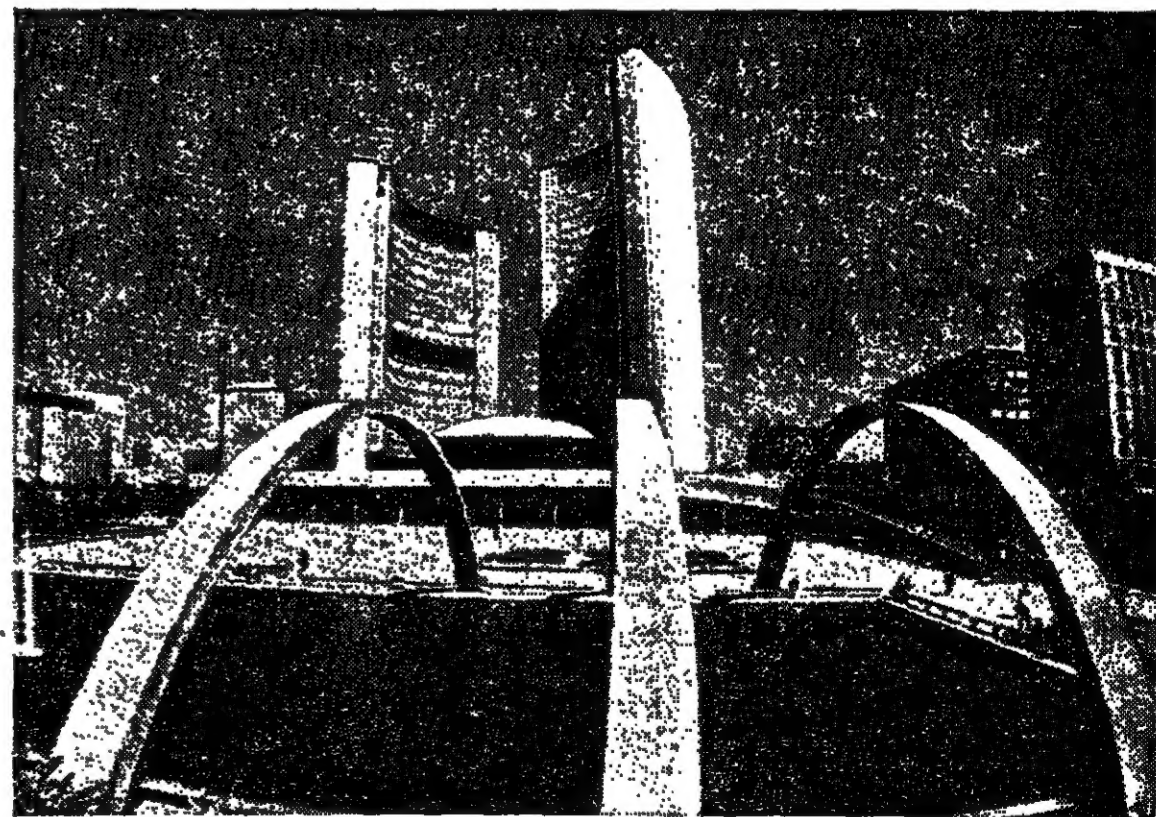
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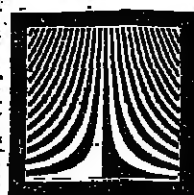
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# The Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

## ● PROCESSES

### Cuts cost of making polypropylene

RESEARCH carried out for several years by Solvay, both in the laboratory and in pilot plant, has resulted in the development of a new polymerisation process for the manufacture of polypropylene. Compared with existing methods, the process developed by Solvay gives a big increase in throughput and reduces the cost of making various sorts of polypropylene.

Patents have been applied for in different countries, and the interest aroused by the new process is attested by the numerous discussions in progress concerning possible granting of licences.

The company has decided to use this process itself and, because of the rate of growth currently forecast for poly-

propylene, to build a unit with a production capacity of 50,000 tons a year that can easily be brought up to 100,000 tons.

By this decision, the Solvay Group, which is already a major producer of polydiphenyl ether and one of the biggest producers of high-density polyethylene in Europe, adds to its range of products a new and important plastic material of which the main outlets are textile industry, household goods, toys and sports articles, packaging and automobile parts.

The production unit for polypropylene will supply the whole EEC market; it will be brought into service at the end of 1975.

Further details from Solvay, rue du Prince Albert, 33, B-1050 Brussels, Belgium.

## ● INSTRUMENTS

### Detects gamma rays faster

A NEON flash tube, claimed to be ideal for the detection of gamma rays, is now available from International Research and Development Company of Newcastle-on-Tyne.

In ordinary tubes, a flash (indicating the detection of a particle) is followed by a recovery period of nearly a second before the tube is capable of flashing for a second particle. This is ideal for cosmic rays where the flux of particles is low and an event occurs only every few seconds. The situation is quite different, however, for accelerators in which several bursts of high energy particles are emitted per second. Under these circumstances the flash tube cannot cope and one event is confused with the next.

By adding small amounts of oxygen or methane to the basic neon-helium mixture, the recovery time of the tubes is reduced to a few milliseconds so that many more events per second can be studied.

Tubes 50 cm long have been tested in the beam of an accelerator producing particles with an energy of 5 GeV, and recovery times of under 20 ms verified.

### Shows grain quality

THE MOISTURE, protein and oil content of any grain can be determined in about 40 seconds using an instrument just announced by Rank Precision Industries of Great West Road, Brentford, Middlesex, which states that a minimum of four hours is needed—using other methods.

The instrument is known as a grain quality analyser and is made by Neotec Instruments in

the U.S. It was developed from research carried out by the U.S. Department of Agriculture with speed, accuracy and simplicity as the keywords.

To obtain an analysis, an operator has only to place a ground grain sample into the sample tray, push the tray into position and the instrument then gives an automatic reading of the oil, protein and water content. The maker claims an accuracy of 0.2 per cent, which is possible because interference from temperature, age or dust has been virtually eliminated. Using near-infrared light, research showed that the amount of protein, oil and moisture in grain can be determined by analysing the reflectance characteristics of a sample. In this instrument the light beam passes through a tilting filter system which changes angle in relation to a tungsten light source.

Measurement points are scanned using only three narrow band-pass infra red filters. At every point the amount of filtered light reflected by the grain sample is measured by a photo-detector. Data is fed automatically into a built-in computer which solves third order equations and displays protein, oil and water content on a digital readout.

Each grain type—soy, corn, barley, wheat, etc.—has its own "co-efficients" or "influence factors" in the equations. These are programmed into the instrument on a flat "Q" card. For different substances another "Q" card can be inserted which automatically changes the calibration and gives the highest possible accuracy.

## ● COMMUNICATIONS

### Independent network wins in U.S.

FEDERAL Communications Commission in Washington has finally granted permission for Packet Communications Incorporated to go ahead with its proposed packet switching network, using the facilities provided by the existing carrier. The network proposed will link 26 cities throughout the United States. The initial phase is to go into operation by the first quarter of 1975, and by 1978 they expect to connect up some 67 cities.

They will do this using AT&T's facilities, 50kb lines, and the initial permission is for twenty six cities. In giving PCI permission, the FCC has also designated it as a common carrier.

This would not normally be seen as a decision of any importance outside the United States. However, this is not so. The FCC has clearly recognised PCI as what is called a "value added" carrier. Now the common carriers, both national and international,

including the European PTTs, have always presented a united front on this issue. The line they have taken is that one can send almost anything down their circuits provided that they are equipped to provide it, have a tariff, and keep control of any transformation that is done to the traffic. It is this pass that the FCC has now opened.

The FCC is quite specific in opening the door. It gives as its opinion that "the services PCI initially will offer the public would constitute PCI a common carrier within the meaning" (then follow references to the Communications Act of the U.S.).

To make sure AT&T does not set the tariffs too high and does not load the situation against PCI or the other common carriers to whom it has awarded permission to compete with AT&T during the past two years, FCC also states that it plans to institute proceedings in the near future to examine AT&T's tariff provisions, with respect to the System, and Computer Corporation of America which plans a AT&T did some time ago agree on principle to provide PCI with service.

The Americans having sold the pass it now remains to be seen how long can the Post Office make clear, there are a lot of and the European PTT's hot applications for value added out.

## ● POWER

### Tubular batteries on standby

THE FIRST tubular stationary batteries to provide total standby power in British nuclear generating stations are being supplied by Haddon-Oldham through its Oldham subsidiary at Denton, Manchester.

Twenty eight tubular stationary batteries ranging from 200 to 1,200 ampere-hours capacity are being supplied for identical installations at Hartlepool, Co. Durham, and Heysham, Lancashire, nuclear power stations.

The two contracts (worth £100,000) were placed by British Nuclear Design and Construction. Because of inherent design advantages, the tubular batteries provide twice as much power as conventional batteries of similar dimensions. In addition to space and weight saving, maintenance is reduced to a minimum as active material shedding from the positive plate within the cells is negligible. The batteries have a long and dependable operating life—the only routine maintenance required is a periodic topping up with distilled water.

Installation of the first 14 tubular batteries and associated fuse-gear has already been completed at Hartlepool nuclear power station. The array includes 440V essential supplies batteries of 1,200 ampere-hours capacity, two 110V switchgear batteries at 245ah, four 110V gas turbine starter batteries at 1,100 ah and four 50V control, instrumentation and telecommunications batteries at 200 ah capacity.

## ● DATA PROCESSING

### Memories programmed to order

A COMPREHENSIVE programmable read only memory (PROM) programming service has been introduced by Jernym Distribution of Vestry Estate, Sevenoaks, Kent.

After a number of requests from customers the company has designed and built a programming machine which is able to program almost any manufacturer's PROM.

At the moment it is being used to deal mainly with fusible link devices but Jernym states that it can be used to deal with PROMs using other mechanisms. An interesting feature of the machine is that it uses one of the company's heat pipes for cooling the device being programmed.

Charges for the service depend on the quantities and capacities being programmed, but typically the cost for 10 or more 512-bit devices is £5 each.

### Promoting a language for tyros

SYSTEMS Consultants (SCL) has decided to take over Conversational Software (CSL). This takeover will enhance the range of SCL's computing work and the resulting increased quality and quantity of the software will complement SCL's existing software capabilities and their hardware (the Edinburgh-based IBM 380/65 computer is the largest commercially available computer in the U.K. outside London).

Commenting on the takeover, SCL managing director R. S. Watt says: "CSL, as its name suggests, has one of its primary aims the provision of a simple language whereby the non-technical person with no computing experience whatsoever—be he in industry or commerce or the academic world or wherever—can converse, via a typewriter or other terminal device, with the computer."

"POP-2, the language which CSL has developed, can assist people without any knowledge of computers and computing. A development of POP-2, Easydata, enables similar non-experienced people to get information from a computer using simple English language questions. In other words, our purchase of CSL will enable us to offer an increasingly efficient service to customers and potential customers in industry and commerce, and a completely new service to potential academic customers. CSL is a company which was spun-off in 1969 from the Depart-

ment of Machine Intelligence at Edinburgh University and has successfully transferred technology from the academic sphere to the wider industrial and commercial arena.

Current users of CSL's software range geographically from California to Germany and on order: users include universities in Canada and California, CERN (European Council for Nuclear Research) in Geneva, the Medical Research Council, SRI, Chilton, the Post Office, Department of the Environment, and Joseph Lucas.

### Software for pension scheme

LEASCO SOFTWARE has been awarded a contract by the Paymaster-General's Office to work through Post Office using order books covering staggered periods.

The payment of these pensions will be transferred on to the PGO computers (two ICL 4/50 machines) using a system designed to cover calculation of the amounts payable, income and other deductions, operation of the annual pensions' increase, printing of pensions' books, control of the issue of the books and production of management statistics and other information that is currently provided manually or which cannot be provided at all.

### SPL puts minis in a section

SPL INTERNATIONAL has concentrated its minicomputer activities within an operating group formed specifically to deal with the rapid growth of business in this sector of the computer industry.

According to Ken Barnes, SPL's managing director, by 1978 minicomputer work is expected to account for 50 per cent of SPL's business. Within the past four years SPL's business in the minicomputer area has grown from 5 per cent to nearly 20 per cent of the company's turnover. Minicomputer software sales and hardware deliveries for 1973 has reached almost £1m. SPL's decision to formalise its minicomputer activities should not be looked at in isolation. The creation of this group is a natural step dictated by the direction in which the computer industry itself is moving. When SPL

began ten years ago, batch processing dominated all computing activity. Within a few years the development of real time computing was to dramatically influence every sector of the industry. SPL formed its real time division in 1968 to develop its markets and expertise in this area.

With the commercial introduction of minicomputers in Europe, the industry is again undergoing rapid change. A newer and more sophisticated machine proliferates the market, the range of applications dramatically widening.

Two surveys recently conducted by SPL into the minicomputer and process control market have indicated that minicomputers will dominate the computer industry in the next decade. In 1969 there were 6,000 minis in use world wide. At the present time there are an estimated 50,000. The growth rate predicted is 40 per cent per annum. SPL is convinced that, as with the real time situation over the past six years, its activities over the next few years must be directed towards developing its services, skills and resources to cope with the changing technology.

### Datran to start up this month

ONE OF the new specialised common carriers in the U.S. Data Transmission Company (Datran) is to begin an initial service this month between Dallas and Houston on the Texas portion of its nationwide all digital switched data communications network.

Sixteen microwave towers at under construction which will extend service to Oklahoma City, Tulsa, Kansas City and Chicago by mid-1974. The entire coast-to-coast system is due for completion in 1975.

Twelve pioneer subscribers representing business, Government and education have already contracted to use the system. Another 11 contracts are in final negotiation.

Nineteen field engineers who have recently completed Datran's first technical training course are to be assigned to the Dallas and Houston operations.

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## Little New Year cheer in the economic outlook

by WILLIAM KEEGAN, Economics Correspondent

In the old days economists attempted to analyse what was going on. Then they found themselves drawn increasingly to the growth industry of predicting what was likely to happen. Because of the cyclical nature of the world economy it is usually been possible to make reasonable predictions about broad trends—such as that rapid growth would be followed by recession or stagnation, and so-versa. But it is traditional of the most eminent of experts to emphasise the uncertainties attached to any particular set of forecasts.

This year uncertainty has hit the Western world with a vengeance. Last week Dr. Herbert Stein, chairman of the U.S. Council of Economic Advisers, conceded that in estimating the effects of the energy shortage on demand he was "operating in an area of almost total ignorance." Some time earlier a leading London investment expert said that either the stock market was near the bottom or it was the end of Western capitalism as we know it—at which point the dice really got going.

We have become accustomed in Europe to think of the growth rate as being determined largely by changes in the productivity and size of the labour force, and have tended to take natural resources as given. They are usually depicted by a firm upstanding and reliable "N" in the textbook. Decades ago we dispensed with Say's

Law—the assertion that "supply creates its own demand"—since World War II public economic policy in Western Europe has been preoccupied principally with applying Keynesian techniques of demand management, to ensure—or at least attempt to ensure—that demand kept up with supply.

Within this overall context there have of course been attempts at redistribution of income, and there have been many Governmental measures on the supply side. The contribution of government to growth is hotly debated, and there are many cynics who believe the main effect has been to slow it down. There is a widespread belief that Britain has had its own unique reasons for slow growth—a mixture which includes poor industrial relations, the end of Empire and sheer lethargy.

### Contrasts overdone

But there are reasons for thinking that the contrasts between the U.K. economy and those of the rest of the European Economic Community have been overdone. Pace Herman Kahn, it was obvious even before the oil crisis that one could not extrapolate too far into the future, and that the underlying growth rates of France and Germany, for example, would be slower in the next 10 years than in the past 10 years. A country cannot

go on running down its agricultural labour force for ever; nor, as the Germans have discovered, will the modern world tolerate an undervalued exchange rate indefinitely.

Thus before the oil crisis hit the EEC, there was a burgeoning feeling that somewhere between previous rates of growth and the apocalyptic predictions of the Club of Rome lay a secular reduction in Western economic growth rates.

But it so happens that this realisation coincided with what the Organisation for Economic Co-operation and Development described in mid-year as probably the strongest boom witnessed by the OECD area as a whole since the early 1950s. Between the second-half of 1972 and the first-half of this year real gross domestic product grew at an annual rate of some 7 per cent. in the U.K., 8 per cent. in Germany and 6 per cent. in France, according to OECD estimates. In Italy, owing to strikes in the early months of this year, the growth rate was only about 3 per cent., but the general feeling as recently as July was that the pace of expansion would continue strongly in the second-half of this year. Even between July-December and January-June, 1974, the growth rate for the European OECD countries was expected to be some 5½ per cent. per annum.

These are faster rates of ex-

pansion than can be afforded by normal productivity growth, and involve the taking up of spare plant and labour capacity. In the course of the first half of next year it was expected that most of the slack would be absorbed. The obvious problem then would be to move to a more normal rate of expansion without excess demand pressures. But the general expectation of a slowdown was widespread, and borne out by the Brussels Commission's surveys of businessmen's views on trends in order books and future output.

### Slowing down

In the U.K. the growth of output was clearly slowing down before the oil crisis. If anything, the underlying rate in recent months has probably been somewhat below the 3½ per cent. per annum widely quoted. But there have been abundant signs of overheating, and of much too slow a growth rate in exports net of imports to put the balance of payments right.

There is a limit, and certainly a price, to other countries' willingness to finance a U.K. balance of payments deficit; even before the oil crisis it seemed likely that some deflationary action would be needed to deal with the resource imbalance and excess demand in the British economy. Meanwhile, inflationary pressures have been getting worse.

with retail prices rising at 10 per cent. per annum, and whole sale prices shooting up even faster. The coal situation was the final stage in the prelude to the disinflationary measures expected later to-day.

The German Government was more realistic than the British about the dangers of excess demand earlier this year, and introduced various "stability" measures which have damped down the domestic sector. As a result unemployment has been rising, and consumer demand has been very sluggish. The economic institutes were forecasting a cut in the rate of GDP growth from 6 per cent. to 3 per cent. between this year and next, even before the energy crisis; export orders, notwithstanding revaluations, were continuing to be very high, the inflation rate was slowing down (at 6.6 per cent. the rise in consumer prices was considerably smaller in the year to October than in France, Britain and Italy) and another large balance of payments surplus was projected for 1974.

The French boom has been less short-lived than the German one, and until recently was expected to continue well into 1974. But the trade balance was moving into deficit during the autumn and the rate of inflation—at an annual 12 per cent.—well up to British standards. The latest in a series of anti-inflationary packages was announced earlier this month.

Before the oil crisis it seemed likely that the French and Italian economies would grow fairly rapidly during 1974, with year on year rates of around 5½ per cent. and 6 per cent. respectively being forecast as recently as last month. Italian output recovered sharply from the strikes earlier in the year, and although the October 1972 to October 1973 rise in consumer prices there was 11 per cent., the end-July freeze has had a dramatic effect in recent months. After allowing for some slowing down, the 1974 prospect was still reasonably buoyant until a few weeks ago for growth in Belgium, Holland and the Scandinavian countries.

Thus before the oil crisis there was the prospect of a general slowdown in EEC growth rates against a background of a high—many would say alarmingly so—rate of inflation.

### Ivory tower

But now, in two fell swoops—higher oil prices and cuts in supply—we have moved into an economic world with a major new supply constraint: not just on productivity growth, but on a source of energy which had been cheap, plentiful and generally taken for granted.

Now it is all very well to sit in an ivory tower and calmly enunciate basic economic laws—prices of alternative energy supplies will also rise; there

will be greater emphasis on exploration and substitution; market forces will eventually provide alternatives, and by speeding up the process the Arabs will have done us a good turn.

The substitution process will presumably occur, but it will take time. It is not a case of switching from the manufacture of writing paper to the manufacture of envelopes. The short-term effect of the Arab production cutbacks is bound to be severe on output and employment; this is why the German Government is now talking quite seriously of zero growth next year, and the French forecast of 5½ per cent. growth has been abandoned.

In the U.K. there has been an extraordinary political reluctance to talk about the storm-clouds even when the downpour has started, but in the last week or so the message has got across. And although the U.K. may be less dependent on oil than the other leading EEC countries, any advantage on this score has been more than offset in the short-run by the industrial crises on other fronts. Even in the U.S., which is far less dependent on Middle East oil than Europe, it is reckoned that the oil crisis could knock up to 2 per cent. off GDP next year.

Experience with strikes suggests that production cuts can be quickly restored, and that although they may depress GDP

for one quarter, they have little effect on longer term comparisons. But at the time of writing there is no sign that the Arabs are relenting, and meanwhile the effect of the shortages is to bid up even further the price of oil in the marginal markets—markets where what goes up does not necessarily come down. If inflationary pressures are not to get totally out of control, there is a need to damp down demand temporarily while supply is constrained. But even if oil production is eventually restored, the major medium-term problem of the price will remain.

### Payments problems

The price rises have added enormously to the balance of payments problems of the main OECD countries, which, with the exception of the U.S. and Germany, were in any case expected to have a large collective deficit next year. Governments and central banks are pointing out that there is no alternative in the foreseeable future to the Western economies running a large balance of payments deficit with the Arab world. Nevertheless they are not all that confident that competitive exchange rate depreciation can be avoided in this difficult situation, and there is a lot of diplomatic work going on. All the evidence points to a gloomy start to the New Year for the European economy as a whole.

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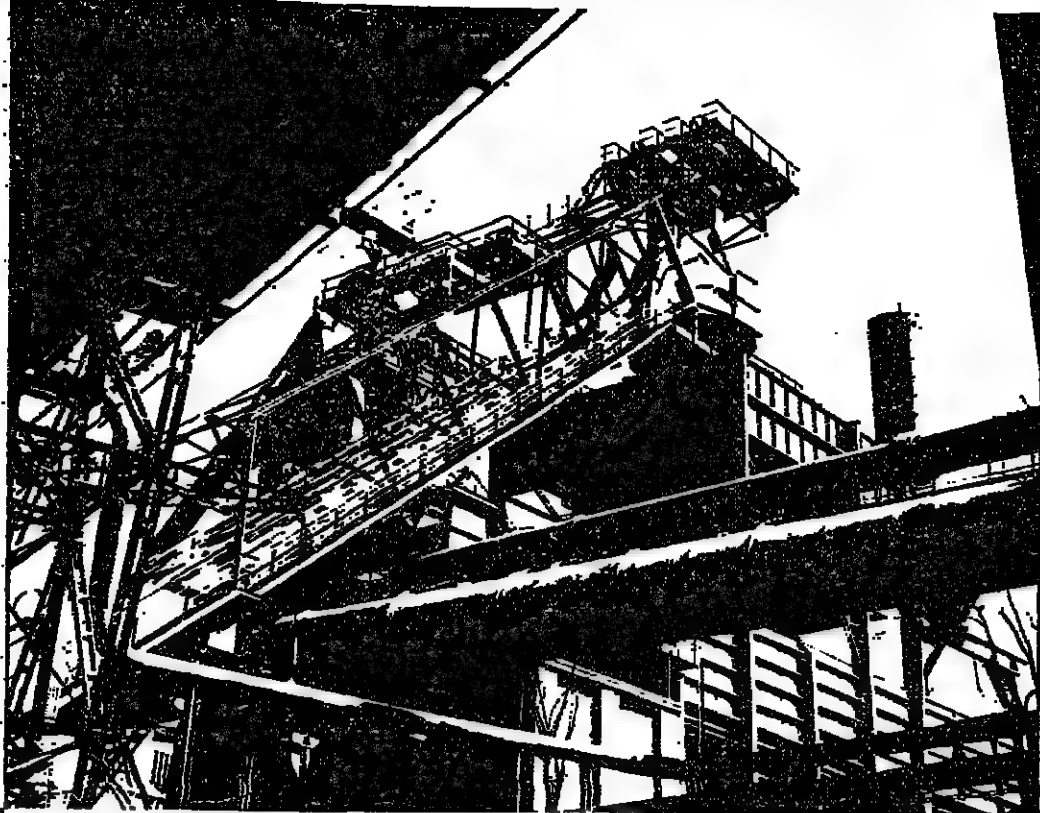


## REGIONAL POLICY

## EUROPE XVIII

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## New fund is main priority

By ROY HODSON, Regions Editor

This week in Brussels, the in. The whole tenor of the Thomson scheme was, from the outset, the need for the Community to act in concert to give help where it was most needed and where it would be most effective.

Since then the going for Mr. Thomson has become tougher as the members have discussed criteria for regional help, as the question of the size of the fund itself has drifted perilously near to becoming a Community political football, as such matters as which areas should be regarded as central and which should be peripheral have become the subject of debate.

Now, however, as the end of the year draws near it is a reasonable summary of the progress made that the European regional policy and its associated fund can begin next January unless one or more of the member nations decide at the eleventh hour upon root and branch opposition for specific motives. The fund itself, it is now being suggested by the commissioners, might be pitched at about 2,350m. units of account over three years. A unit of account is worth 42p at the moment.

Mr. George Thomson, the Commissioner for Regional Affairs in Brussels, lost no time when he took up his job this year in taking the Heads of State at their word (the European Summit of October 1972) that "high priority should be given to the aim of correcting in the Community the structural and regional imbalances which might effect the realisation of economic and monetary union."

By May he had produced the first guidelines which were approved by the other Brussels commissioners without dissent. He laid emphasis on the need for a big fund—hundreds of millions of pounds a year. His guidelines ridiculed application of the principle of *juste retour*, by which member nations would retrieve roughly what they paid

## Smaller fund

Some countries would like to see a smaller fund. West Germany and Holland, for instance, expect to be net contributors and will want to be satisfied (a) that their fellow members appreciate what they are about to do for them, and (b) that the money is going to be managed well and used effectively.

At the present time the Germans are none too sure that the fund should be sizeable at first even if they concede it should be allowed to develop during the three year period.

And the Dutch have been sufficiently put out by their fellow community members' attitude towards their oil difficulties to indicate that they might turn awkward themselves on other Community matters including, presumably, the fledgling regional policy.

Ireland and Italy are both hopeful—insistent might not be a too strong a word for their attitudes—that they should benefit from the fund by rather higher proportions than Brussels thinks appropriate. The French are cool towards management of the fund in Brussels and embody in their arguments some distinctive thinking about the responsibility of nations to manage their own affairs.

Finally, Britain has, from the moment of taking up Market membership, set great store by the regional policy. The regional fund is one of the rare pieces of tangible evidence of Community benefits that the British Government can show to its public. As the year has gone on the figure of 25 per cent of the fund has emerged in all the talking as a sort of cut-off point below which the British negotiators refuse to be pushed. The British political need is well recognised in Europe. But these various national attitudes do not leave much latitude for manipulating the fund one way or another in the early days.

By the end of 1974 Mr. Albert Borschette, who is Commissioner for Competition Policy in the Community, is expected to produce a more sophisticated system of classification of Europe's regions into degrees of need than the present rather rough and ready measurement of central and peripheral areas.

Meanwhile it will continue to be difficult to rank Britain's problem areas efficiently within the present system. For districts of ageing and declining industry, which Britain has in abundance, and areas suffering from industrial dereliction, cannot be classified easily by the various yardsticks put forward by the Community.

That is why the expedient has been adopted of simply exempting for the time being from either classification the British regions where aid is most concentrated.

## Recent survey

Mr. Christopher Chataway, Britain's Minister for Industrial Development, in a recent survey of the effectiveness of Britain's present schemes for industrial development, estimated that many of the country's assisted areas should be self-supporting by the end of the 1970s. At the time he was speaking, in the late summer, the British economic boom was succeeding to a degree at which some of the more prosperous assisted areas were considering whether or not it might be better for their image to transfer to unaided regional status at some unspecified point in the future.

More recent events have changed all that. Shortages and the prospect of some industrial recession if the world situation remains at a critical level suggest that regional aid is going to continue to be a vital component in Britain's economy for a long time to come. Similar reappraisals are being enacted in the other member nations of the Community. There is an appreciation that the crisis is going to underline the need for effective regional support throughout the Community.

## Roads programme

But for management reason they will have to be project which can be mainly directed by the member States themselves. One could foresee the present *autostada* programme in the south of Italy being partially covered by the fund, with appropriate notice board, announcing the Brussels benevolence, while management of the actual roads programme continued much as before.

Cross-border projects to achieve greater Community harmony were mentioned in the original Thomson guidelines for regional policy and we can be sure that Brussels and the new Council of Ireland will be thinking hard to find a suitable venture to bring the two parts of Ireland into closer liaison. The Channel Tunnel could be a suitable project for the Community Fund.

But the British Government may have something else up its sleeve as a candidate for Brussels money. Much work has been done on feasibility studies for barraging certain of Britain's estuaries to create new industrial land, new water resources, and improved communications. Consideration of such schemes will come to the forefront of regional economic planning during the next decade. The Government is thought to be in favour of making a start by barraging the River Dees and thus strengthening the Merseyside/Deeside industrial sub-region. That is one scheme which might sensibly be put forward as worthy of Brussels money.

## COMPETITION POLICY

Extending  
the rules

By A. H. HERMANN

Though most European countries have some sort of anti-trust legislation, only three legal systems have a really important effect on European industry. These are those of Britain, West Germany and the Community itself. During 1973 the first two resolved most of their policy problems. The Fair Trading Act was passed by the British Parliament and the revised Cartel Law has been finally adopted by the German Bundestag after a political haggle which lasted many years. By contrast, the EEC competition policy became in 1973 deeper entangled than ever before in its inherent contradictions.

Some of these difficulties are simply a product of age and change. The competition rules of the Community have been designed to prevent the replacement of the cancelled customs tariffs by privately agreed barriers to trade. Now, when the Common Market has been achieved, these rules are being bent to serve the protection of consumers and employees and for keeping European as well as overseas multinationals under control—while the aim of making Europe's industry competitive on the world market was never properly considered in connection with the aims of the EEC anti-trust policy.

The entire competition policy of the Community suffers from a gradual erosion of its basic assumption. Right from the start the EEC article of faith in "prosperity through competition" and a complete freedom of movement—of goods, services, capital and labour—was written into the Rome Treaty with the important reservation that it did not apply to agriculture and only partially to transport. As time went on, it transpired that this doctrine could not be reconciled with industrial development in areas suffering from high unemployment. It is argued, for example, that the development of the Italian South has been seriously held back by the free market system of the Community.

The powers to administer these competition rules have been entrusted to the Commission. Its multinational establishment, however, operates with the most rigid formalism and excruciating delays, quite out of keeping with a task of business regulation which would severely test even the informal, flexible and expeditious ways of the British Civil Service. Finally, the European competition rules also continue to suffer by the great vagueness of the Rome Treaty provisions. This could

be turned to advantage by a consequent and single-minded judicial interpretation. Unfortunately, the European Court, while expanding the scope of the rules, has often also increased their uncertainty. Of the two main competition rules of the Treaty of Rome, the first Article 85, prohibits cartels and other restrictive agreements and practices and declares them null and void; the Commission can exempt certain of Britain's estuaries to create new industrial land, new water resources, and improved communications. Consideration of such schemes will come to the forefront of regional economic planning during the next decade. The Government is thought to be in favour of making a start by barraging the River Dees and thus strengthening the Merseyside/Deeside industrial sub-region. That is one scheme which might sensibly be put forward as worthy of Brussels money.

Continued on next page

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## AGRICULTURE POLICY

## EUROPE XIX

## An eventful year for the CAP

by ROBIN REEVES

From the outset it was bound to be an eventful year in European agriculture. The accession of three new member states to the EEC and their adoption of the Common Agricultural Policy (CAP) system, if not its prices, automatically signalled one of the biggest shake-ups in world farm trade for many years; particularly since one of the countries concerned, Britain, was traditionally the world's largest commercial food importer.

Although Britain was granted a five year transition period to bring its farm prices up to the higher levels ruling inside the original EEC, the Treaty of Accession laid down that Community preference must be introduced immediately. This was to be achieved by a system of border taxes or compensatory payments to bridge the gap between the supposedly lower British and high EEC price levels. In this way, French exports of grain to the U.K., for example, were to be granted a subsidy to compete in the British Market, while U.K. grain exports to the Six were subject to a levy of the same amount.

Hard negotiations took place over the size of these compensatory amounts and other details in the weeks immediately before the three new members formally acceded to the CAP on February 1. On the one side, Britain was trying to ensure that a balance was maintained between the interests of the British consumer faced with the end of the cheap food policy, and the interests of British agriculture, whose competitive position was in danger of being undermined if the compensatory payments were fixed too high. On the other side, the original Six plus Denmark and Ireland were also trying to squeeze the maximum advantage out of their preferential access to the British market.

The subsequent pattern of events has of course borne little relation to the scenario envisaged in these transition arrangements. Indeed, things could hardly have been more different. The reason has been the remarkable upsurge in world food prices to the point where some would argue that many of the guaranteed farm price levels maintained by the CAP no longer look unreasonably high. Certainly, it made the transition arrangements based on the belief that Britain's farm and food prices would have to

be gradually stepped up to general Community level over five years look somewhat out of place.

The world market upsurge also defused many of the problems entry was expected to pose for overseas food suppliers left outside the EEC. Food simply became a seller's market.

More significant still, the U.S. severely damaged its case for improved access into the EEC for its grain and soybeans, which it was planning to push very hard in the GATT trade talks, by curbing its soybean exports to try to restrain domestic prices.

## Beef prices

In Britain itself, there was a foretaste of things to come in the remarkable rise in beef prices which took place late last year and in early January, immediately before enlargement. Basically caused by a cyclical imbalance between world beef supplies and sharply growing demand, the prices upsurge was also accentuated by the decision of the original EEC members temporarily to lower their restrictions on beef imports. This had the effect of attracting U.K. beef supplies to the continent, and pushing U.K. prices close to full EEC level in a matter of weeks, rather than the five years originally envisaged.

A special Government inquiry into the reasons for the beef price rise ruled out the EEC from blame; even if this did not remove the suspicion in some quarters that, without impending EEC membership, the Government might have felt politically more able to curb beef exports to the Continent. Be that as it may, when the tariff regime of the original Community resumed its normal level in September, the transition arrangements came back into their own. In fact, because there was now more of a disincentive to export beef to the Continent than against British beef imports from "third countries," the U.K. beef market was even better supplied than it might have been.

But by and large, the effects on the unsatisfied appetite for beef were foreseen before the transition arrangements came into effect. What was more unexpected was that shortages and

high prices would quickly spread to many other commodities covered by the CAP. In pigmeat, fears were originally expressed that large parts of the British bacon industry would suffer ruinous competition from imports following the almost immediate phasing out of the subsidy to curers—insisted on by other EEC members in the transition negotiations. In the event, the main competitor, Denmark, quickly found profitable outlets for its pigs in the original Six, and being no longer almost wholly dependent on the U.K. market, the Danes were content to push their bacon price up to record levels, maximising returns rather than sales. It may have been expensive for the British housewife, but it was a considerable relief to the British bacon curing industry.

Much the same fears were expressed on behalf of the U.K. egg and poultry industry, which had been struggling to survive at below cost of production prices for almost two years. Subsidised imports of surplus eggs and poultry from the continent, it was argued, could well turn out to be the last straw for large sections of the British poultry industry. It should be added that continental producers were equally fearful of competition from Britain's more highly integrated poultry industry.

Slightly less unpredictable than the course of European agricultural markets during 1973 has been the political debate. At the outset, Mr. Joseph Godber, the U.K. Minister of Agriculture called for a freeze on farm prices for the 1973-74 season, something which strengthened French suspicions that Britain was aiming to undermine the CAP. The compromise in this time-honoured annual battle, which eventually emerged on May 1 after the usual all-night marathon, allowed for a range of farm price increases undoubtedly larger than Mr. Godber would have liked.

## Cyclical shortage

In the event, adoption of CAP by the three new members turned out to coincide with the beginning of a cyclical shortage of eggs throughout much of Europe and beyond. Prices started to rise, aided in the case of poultry by the dearer red meat prices, since when they have never really looked back.

The most dramatic change of all, of course, has taken place in the cereals market. The transition arrangements were amended in January to take account of the rise in the world market caused by the massive Russian and Chinese purchases and the devaluation of the pound, floated the previous June. But these did not anticipate that subsequent climatic events would result in world market prices soaring substantially above the high guaranteed cereal levels of the original Community: forcing the EEC in

August to introduce a levy on exports so as to prevent its own, as it happens, bumper harvests being drained away on to the higher priced world market.

The best thing that can be said for the transition arrangements in these circumstances is that they have kept U.K. cereals prices lower than they might have been. Had Britain been outside the Community it would have had to pay the export tax.

The initial effect of this general rise in farm and food prices was undoubtedly a sharp improvement in European farmers' incomes. It also made life far easier for countries outside the EEC whose trade with Britain faced penalties as a result of enlargement. But the whole of European and indeed world agriculture is now faced with sharply increasing costs, both as a result of high cereals feed costs and the effect of inflation and the energy crisis on other agricultural inputs.

Compared with initial British aspirations for a big switch away from dependence on end prices towards other forms of support for EEC farmers, the proposals seemed disappointing. But among other things, they tackle two of the most sensitive areas of the CAP, by proposing a tax on surplus milk production and a freeze on soft wheat prices. They also aim to simplify some of the workings of the CAP. If adopted wholesale, M. Pierre Lardinois, the Commissioner responsible for agriculture, expects saving of some £400m. a year in the cost of the policy by 1978. This compares with its forecast cost next year of £1,450m.

Moreover, British aspirations may have changed. When the EEC's farm and food prices looked ridiculously high by U.K. standards, it seemed reasonable to press for measures to support farmers in other ways less costly to the consumer. Now there is a case for arguing that since the world market has made EEC prices look reasonable, Britain could best concentrate on limiting the CAP to end-price support only rather than pressing direct support schemes which put up the total cost of the policy. British agriculture, thanks to its relative efficiency is better able to survive on end price support only than most other areas of European agriculture. As the recent negotiation of Community hill farming policy, called for by Britain to underwrite its own hill scheme, showed, when it comes to direct support other European agriculturalists have more candidates than Britain.

CONTINUED FROM PREVIOUS PAGE

## COMPETITION POLICY

from prohibition agreements that have some redeeming merits. The second, Article 86, aims at restraining private monopolies and near-monopolies, not by abolishing them, but merely by prohibiting the abuse of dominant position.

Operating very much under the influence of the West German example the Commission was relatively successful in eliminating restrictive agreements and price fixing as well as the "cementation" of national markets by means of international cartels. It has done nearly nothing so far to regulate the activities of large monopolies and oligopolies. Very much like Britain and West Germany until recently, the Commission has been hard on cartels, and soft on monopolies.

The EEC Treaty contains nothing to empower the Commission to proceed against

this weapon could be used, indiscriminately against all sectors of industry. Instead it stretched the aim of Article 86 in an attempt to use it not to regulate existing monopolies but to prevent such mergers which, in its opinion, do not promote the competitiveness of European industry on the world market.

The Commission's interpretation of Article 86—that it gave the power to stop mergers which increase market domination—has been confirmed by the judgment of the European Court in the case of Continental Can in February, 1973. Unfortunately this judgment not only affronted both common law and Continental tradition of judicial interpretation but, in addition, left it quite uncertain how EEC merger control should operate. As a result, a regulation of this matter by the Council became a necessity, given that some order had to be brought into this field. The Commission quickly submitted a draft regulation on mergers and other concentrations to the Council of Ministers and is now pressing for its approval in the face of considerable opposition in the member States.

The controversy surrounding this draft regulation is not caused so much by its aims as by the practical difficulties of applying it. It is feared that in its present form it could cause a major disruption in European industrial development, at a time when this is threatened from many other sides as well. The Commission seeks powers to stop not only mergers but also such concentrations of economic power which are achieved merely by the conclusion of supply deals involving larger than usual quantities or a longer than usual period of time. Prior notifications would be required in the case of very large mergers but even medium-size enterprises would have to notify for practical reasons. Without obtaining the Commission's blessing first, they could be asked to unscramble later, after they had implemented their agreements. The Commission could kill any notifiable merger or concentration by doing nothing—as none of the time limits set for its decision is really binding. These time limits can be extended indefinitely by the Commission declaring that the information which it received is insufficient.

The problem of mergers and monopoly control has been a spectacular feature of anti-trust activities not only in the Community. In Britain the adoption of the Fair Trading Act as well as the Hoffman-La Roche case marked the new determination of the Government in dealing with monopolies. In Germany the Cartel Office is in the process of testing its new powers under the revised Cartel Law. The establishment of clear boundaries between the anti-trust jurisdiction of national authorities and those of the Common Market has been another topical problem of the European anti-trust law in 1973 and is likely to continue to be so in 1974.

The question whether national courts retain jurisdiction over the application of Community competition rules after the Commission has initiated proceedings is now being tested in the Belgian TV case, before the European Court. This problem, of practical importance particularly in cases of patent and trade mark infringements, has been reopened by the second decision of the European Court in the case of Brasserie de Hoecht, a decision which seems also to have put an end to the doctrine of provisional validity of notified agreements, previously established by the Court.

## First attempt

Finally, the Commission has recently made its first attempt to extend the application of the EEC competition rules to exports from the Community. It claims, in the Commercial Solvents case now pending before the European Court, that it has powers to protect Community exports against abuse of market domination. The Commission argues in this particular case that such abuse of a dominant position could break a company dependent on exporting from the Community and thus eliminate it as a competitor within the Common Market to which it supplies 10 per cent. of its output.

In 1974, each of the three principal organs of the Community is likely to be kept busy by anti-trust problems. The Court by the question of jurisdiction in the first place; the Council by the merger directive and the Commission by the flood of British notifications and by its attempt to control the Japanese agreements on self-restraint of exports. These were concluded by GATT from imposing import quotas for protection of their industries against the cheaper Japanese products, and when the Competition Department now attacks these agreements it reveals yet another disharmony within the EEC—namely, that between its competition and its trade policies.

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## INDUSTRY AND TECHNOLOGY

## EUROPE X

# Progress has been disappointingly slow

By GEOFFREY OWEN

Before the U.K.'s entry into the Common Market, the industrial implications of membership were generally expected to be twofold. One was that the opening-up of Continental markets through tariff reductions would create new opportunities for British exporters, encourage investment to secure economies of scale, and lead to the emergence of more British companies which were genuinely competitive in world markets. The other was that the existence of a large unified market, together with the efforts of national Governments and of the Commission in Brussels, would promote "European" solutions to industrial problems that were common to all member countries, particularly in the fields of high technology.

The first of these expectations has been partially fulfilled. When due allowance has been made for the cynicism and self-denigration that bedevil British attitudes to the achievements of British industry, there is no doubt that a large number of U.K. companies are taking advantage of the EEC's opportunities; the process has to go much further if the full benefits of membership are to be realised, but a start has been made. By contrast, the "European" approach to industry and technology has barely got off the ground.

In each of the three high-technology industries which seemed to be obvious candidates for the European approach, progress has been disappointingly slow.

### Nuclear power

That Europe would increasingly have to rely on nuclear power was apparent well before the present oil crisis. It was also apparent that European producers of nuclear reactors were a long way behind their American counterparts in experience and in technology. Trans-national co-operation between the manufacturers and their customers (the electric utilities) would, it was hoped, create the basis for a European effort in nuclear power.

Yet in practice Europe's efforts in this field have continued on largely nationalistic lines. The French, the Germans and the British have all been too preoccupied with strengthening their own nuclear industries to devote much effort to European co-operation. It is possible that the latest shift in British policy—the CEB's desire to switch from the British AGR reactor to the proven American light water reactors—could facilitate an alliance with the French, but this—if it ever happened—would be an accidental consequence of a purely national decision.

As if to reinforce the disarray among the major European industrial powers, the argument over uranium enrichment provides a further illustration. Unless diplomatic moves at the highest level can bring about a last-minute compromise, the likelihood is that the two rival enrichment projects—the French diffusion plant and the Anglo-Dutch-German centrifuge—will both go ahead, with the attendant risk of over-capacity and serious financial losses in the early 1980s.

The inference seems to be that, in high-technology industries that are thought to be of strategic importance, governments are not yet prepared to

subordinate their national self-interest to the wider interest of Europe. In aerospace, for example, Government Ministers in several countries have often professed their commitment to a European solution for the industry's problems. To a degree this has manifested itself in the large number of co-operative projects that are under way. But there is no pattern to this co-operation, and no permanence about the alliances which they involve.

On the airframe side, it is just possible that the Airbus project could eventually command wider European support and provide the basis for a European family of airliners which would unite the bulk of the industry. But a good deal of pride will have to be swallowed by Governments and by companies before this could happen. There is a danger that, as in nuclear power, the domestic problems of the two main industries (should Hawker Siddeley merge with British Aircraft Corporation? What is the future of Dassault?) will take precedence over wider European considerations.

The only glimmer of light in the three most important high-technology industries comes from computers. The fact that the Germans, French and Dutch have pooled their fledgling "national" companies into a jointly owned enterprise must be regarded as a hopeful step.

As the participants fully realise, it will be a very long time before Unidata, as the new company is called, can hope to rival IBM. At this stage the crucial task is to ensure that the company has a strong, unified management whose freedom to take commercial decisions is not inhibited by national considerations. There will be much argument

Whether or not ICL eventually decides to join the group—and such a decision does not seem imminent—the success or failure of Unidata will be profoundly significant, not just for the computer industry, but for the future of European co-operation in other high-technology industries.

### Patient lobbying

At this stage, nevertheless, the EEC's efforts to find solutions to the problems of Europe's high-technology industries can only be regarded as a failure—indeed, American competition in these fields, aided by the devaluation of the dollar, is stronger than ever before. It is hard to see any early change in this situation. Within the Brussels Commission, the departments responsible for industrial policy have studied the problems in detail and have suggested ways of putting them right. But the Commission has no powers to impose its solutions on the member states. Unlike national Governments, the Commission in the industrial field has no funds to administer and no mandate to intervene directly in the structure of industry. The best it can hope for is to exert an influence—through patient lobbying in the member countries—in favour of the European solutions which it favours.

The Commission cannot create the political will which is the necessary pre-condition for an effective industrial policy. Regional policy, by contrast, is a matter which arouses the keen interest of member Governments. Most of them see the proposed regional aid scheme as offering a solution to pressing domestic problems. There will be much argument

over the size of the program and the criteria for assistance, but there is enough momentum behind it to ensure that some positive results emerge. The same momentum is notably lacking on industrial policy.

Europe, it seems, is not ready for the active industrial policy which was envisaged at the Paris Summit in October 1972. Yet the problems which industrial policy was designed to tackle are real. There are serious weaknesses in Europe's high technology industries. Most of the companies are too dependent on a relatively small national market and have inadequate resources to compete internationally. They survive only through the protection afforded by their governments both through direct subsidies and by reserving public contracts for national suppliers.

### Technical barriers

It is this continuing protectionism, directly contrary to the Treaty of Rome, which must be removed if the hoped-for "common industrial base" is to be achieved. Progress here has been slow, but the Commission is still sticking to January 1978, as the final target date for the abolition of all technical barriers to trade. It is the aspect of industrial policy which needs to be given high priority in the coming year. The opening up of national markets allied to the Commission's successful programme to eliminate anti-competitive practices, may prove to be a more effective way of promoting "European" solutions to industrial problems than the intervention imposed from above. It will also create a more favourable climate in which governments and companies may be more willing to listen to the Commission's suggestions.

## COMPANY LAW

# Delays in reform programme

By COLIN JONES

The ambitious programme of company law harmonisation on which the Six had embarked before Britain, Eire, and Denmark joined the Community has now virtually ground to a halt.

It has been generally recognised, both in Brussels and elsewhere, that a good deal more thinking will have to be done about how to align national company laws in a Community of Nine. At the same time the other prong of the Commission's dual approach—the move to create a European Company Statute—has also lost impetus.

This might seem surprising within a year of the Paris summit calling for the Statute's "rapid adoption." The attraction of the Eurocompany concept lay in the possibilities of cutting a path through the fiscal and legal thickets impeding cross-frontier mergers. Companies operating in two or more

Member countries would be able to join forces by setting up a joint company registered under Community—or supranational law—at the European Court in Luxembourg.

### Bigger surprise

But the bigger surprise was that the Summit should have made such a specific public commitment when the Commission's draft Statute was already clear by arousing considerable controversy even among the Six themselves. The Commission had spelt out an otherwise worthwhile idea by being altogether too ambitious. It had loaded its draft with virtually every major reform in the company law field which it and its mostly German advisors had set their hearts on. The higher standards of company disclosure laid down in the Eurocompany Statute would have been accepted.

So, too, probably would have been the idea of two-tier company boards. After all, the Eurocompany route was meant to be an option which Community companies would be entirely free to use or not.

But the Commission had also set its sights on workers' participation—a share of the seats on the top-tier or supervisory board—and on a system of compulsory joint works councils. This was put into the draft Eurocompany Statute in June 1970, more than two years before the Commission proposed similar changes in domestic company laws in its fifth directive on national comparative law harmonisation.

It is not only in Britain that these proposals have been regarded with a good deal of suspicion or even hostility. Opinion in France, Belgium, Holland, Italy, and even in West Germany has been lukewarm.

Continued on next page

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## ENERGY POLICY

EUROPE XXI

## Urgent need to formulate a common approach

ADRIAN HAMILTON

It is hardly the best time to discuss the achievements of the common energy policy. The oil price cut-backs and the long-term agreements for prices have certainly presented the common approach on energy with its first major test. The most optimistic observer would suggest that the common approach has met it with any real success. Instead, all that seems to have come up so far is disunity, a lack of unity, preparation, and a paucity of any approach to tackle the problems. Ministers of the Community have met time and again to discuss the diplomatic, economic and financial consequences of the situation in recent weeks. The surface at least, all they have achieved is to have a common agreement over the week-end that members should control consumption on an agreed basis. They may take decisions on a common energy policy by the end of the year. But yet, as the short-term crisis becomes longer and longer, the signs are that the common approach is beginning to harden. The double threat of prices and supplies raised by the current crisis is too common to not do so.

## Dusted off

Previous policies worked out by the EEC Commission are being taken down from the shelves and dusted off for re-examination. Discussions about common approaches towards relations with the Arab world, new systems for payment of oil and new policies to speed the development of alternative fuels are all taking place. A new sense of urgency, individual countries to the

The sudden crisis of the last few months may have cracked the fragile vessel of European unity on energy policy but, over the longer term, it may well prove the forcing ground of a decisive intervention by governments into the fuel market in a sense that would have been impossible without the crisis.

The immediate problem of the Community is simply that the Middle East war and all that followed it caught governments seriously off balance. Not that there has been any lack of fore-warnings of what was to come. Ever since the price negotiations between the oil industry and the producing states of OPEC in Tehran and Tripoli nearly three years ago, it has been clear that the balance of power in oil trade had shifted fundamentally from a buyer's to a seller's market, in which the Middle East producers held most of the cards. The consequences of allowing coal to decline rapidly throughout Europe, of increasing dependence on imports from a small and volatile area of the world and of failing to implement real progress in developing nuclear power—all these were pointed out, and publicly accepted, by the European states.

Nor can it be said that there has been no effort to produce common energy policies in Europe over the last two decades. The shelves of the EEC Commission are thick with successive attempts to get initiatives going to produce common policies towards the oil market, relations with the Arab producers, the development of a European nuclear industry and technology, the re-assessment of coal, and the rapid development of indigenous fuels.

That these attempts at producing co-operative initiatives were not more successful was partly due to the wide differences in the approach of individual countries to the

problem and partly to the market conditions prevailing at the time. Countries such as Holland with international major oil companies headquartered in their midst had very different attitudes towards state oil policies from countries such as Italy and France with still youthful national oil companies of their own. Nations such as Germany, with a generally laissez faire policy on competition in the market place found themselves diametrically opposed to the ideas of France with its dirigiste policy towards the market and its continued attempts to enshrine its special relationship with Algeria in Common Market Policy.

## Falling prices

At the same time, the decade following the creation of the Commission to head up energy in the Market was also a time of falling prices, surplus supplies and unequalled economic growth. The Commission's ideas of co-ordinated policies on energy never seemed urgent enough because their benefits were far from obvious in direct

economic terms. As long as fuels were cheap and easily available, ideas of special relationships with the producers, the expenditure of large sums of money on nuclear technology and the shoring up of a declining indigenous coal industry appeared unnecessary and costly.

With the recognition of the problems developing on the oil front with the Tehran and Tripoli price negotiations of 1971, some urgency entered the scene again and agreements were made on the questions of oil stocks, coal and, to a more limited extent, on the development of nuclear technology. But the enlargement of the Community with the entry of Britain, Denmark and Ireland also pointed up some of the existing differences of approach between the members and barely had a start been made on resolving these earlier this year when the troubles in the Middle East broke out.

The current crisis has in turn confused the issue, with the specific Arab embargoes on Holland and the association of

oil with the more tricky problems of diplomacy and international politics. While some, such as the U.K. and France, have argued against any move which might smack of confrontation with the Arabs, others such as Germany and Italy have asserted equally the duty and fundamental obligation of the Community to stand together and share out—a conflict which has so far been papered over with a decision to avoid open sharing arrangements but to accept instead a degree of sharing out of oil by the individual oil companies.

## Nuclear industry

Yet it would probably be wrong to deduce from the EEC discussions on oil that the crisis was wrecking any hopes for the development of a strong European energy policy. Just the opposite may well prove to be the case. Whatever the short-term difficulties, the long-term implications of recent developments on the future availability of oil and its price are too overwhelming for Europe to fail to meet the challenge.

One obvious course is the strengthening of policies towards ensuring a renaissance of coal production and the more urgent creation of a European nuclear industry. How far these initiatives can help in the immediate future is doubtful. But finance can certainly do much to aid the rapidly declining coal industries of Europe and, while the current development of European nuclear energy is bogged down too far in the national competition over types of reactor and the uranium enrichment issue, there remain opportunities for more co-ordination of effort even on these fronts, while there is considerable scope for speeding up research and developing the self-breeder reactor. So too is there scope for research and implementation of ways in which energy could be conserved and used more efficiently.

But the central, and most problematic, question remains that of future oil policy. The obvious conclusion from current events is that the balance of power has shifted permanently towards the Middle East producers. In these terms, the policy may be less inward-looking and more interested in consumer co-operation with other major oil importing blocks than some, such as France and Italy, may wish. But in terms of policy towards the market place, the governments of Europe and the EEC itself are bound to become more interventionist, trying (as the Commission has so long urged) to tie oil into more general trade and financial deals with the producers, making the oil companies more accountable to governments and controlling their investments more directly. Whether this policy will necessarily become more national oil-company orientated or not remains open to debate.

But, if the current crisis has shown anything, it has been the urgent need for co-operative action by the European Governments. If it does not actually destroy that unity in the process, it would be surprising indeed if it did not lead to just that co-ordinated end.

CONTINUED FROM PREVIOUS PAGE

## COMPANY LAW

Germany has also been sharply revised. The Commission appears to be ready to consider a number of modifications or even a radical revision of its proposals. But on worker participation it holds firmly to its chosen ground. Whether or not worker directors will help put a "human face" on the community—and that particular argument is highly debatable—it is certainly true that the German and the German trade unions would not willingly entertain any concession.

It is likely to be at least another year before the threads of discussion on the European concept are taken up again. But not even that can be said at this stage about the work on harmonisation of domestic legal regimes. Before the Commission envisaged a long-term programme of piecemeal alignment. Five draft directives had been prepared, each covering a different aspect. The first directive, laying down certain common standards for shareholders and creditors—access to information and the validity of statements made both before and after a company's incorporation—had been adopted in 1968 and incorporated into 5.9 of the U.K.'s European Community Act, 1972.

The other four dealt with the formation of companies, the maintenance and alteration of share capital; mergers, accounts and disclosure requirements; and the administration of the structure of companies, including the structure of company Boards. They had been merged between March 1970 and September 1972 and, by the spinning of this year, had reached various stages of the community's lengthy legislative process prior to coming before the Ministerial Council. Because these draft directives are intended to bring the national laws of the Six into closer alignment, it was only natural that they should reflect the traditions and aspirations of these countries. It is equally obvious that the accession of new countries—Britain and Eire—with a somewhat different tradition of law and practice should pose difficulties.

## Quite fundamental

In at least two respects these differences are quite fundamental. On the Continent, industrial companies tend to look to the banks as the primary source for new capital funds. But how significant in practice are these monies raised as share capital or equity, which parity of competitive opportunity in many countries, particularly France, tends even in quite large companies to remain in the family hands. The new issue and stock markets thus have a legal framework be in practice?

## Regulatory system

This system has come in for criticism lately on the score of efficacy but it at least enables the regulatory system as a whole to respond fairly quickly to changing conditions and to accommodate experimentation and innovation without waiting for the normal Parliamentary processes to grind into action. It is, however, a tradition that is not widely used or even until recently very much appreciated on the Continent and it certainly has no recognised place in the Treaty of Rome.

The differences between Continental and Anglo-Saxon traditions are apparent throughout the Commission's draft directives as well as in the European Company Statute. Many of them are not insurmountable but there are also differences in approach to accounting principles and the way in which they are formulated, in the attitudes to mergers, bearer shares, and the respective rights of shareholders and creditors, and in the distinction made between public and private companies, and some of these may not be so easy to reconcile.

Because of this the U.K. Government suggested earlier this year that, instead of trying to achieve complete alignment, the Community should concentrate on harmonising those elements—as yet undefined—which would be generally regarded as essential to a common system of company law.

This may obviously appeal to those who dislike the supra-national element which was implicit in the Commission's detailed approach. But it also raises another question.

The object of harmonisation is to put all Community companies on the same legal footing, in doing so to eliminate barriers which distort or prevent full Community-wide competition. But how significant in practice is that distortion? Just how significant an impediment to share capital or equity, which parity of competitive opportunity in many countries, particularly France, tends even in quite large companies to remain in the family hands. The new issue and stock markets thus have a legal framework be in practice?



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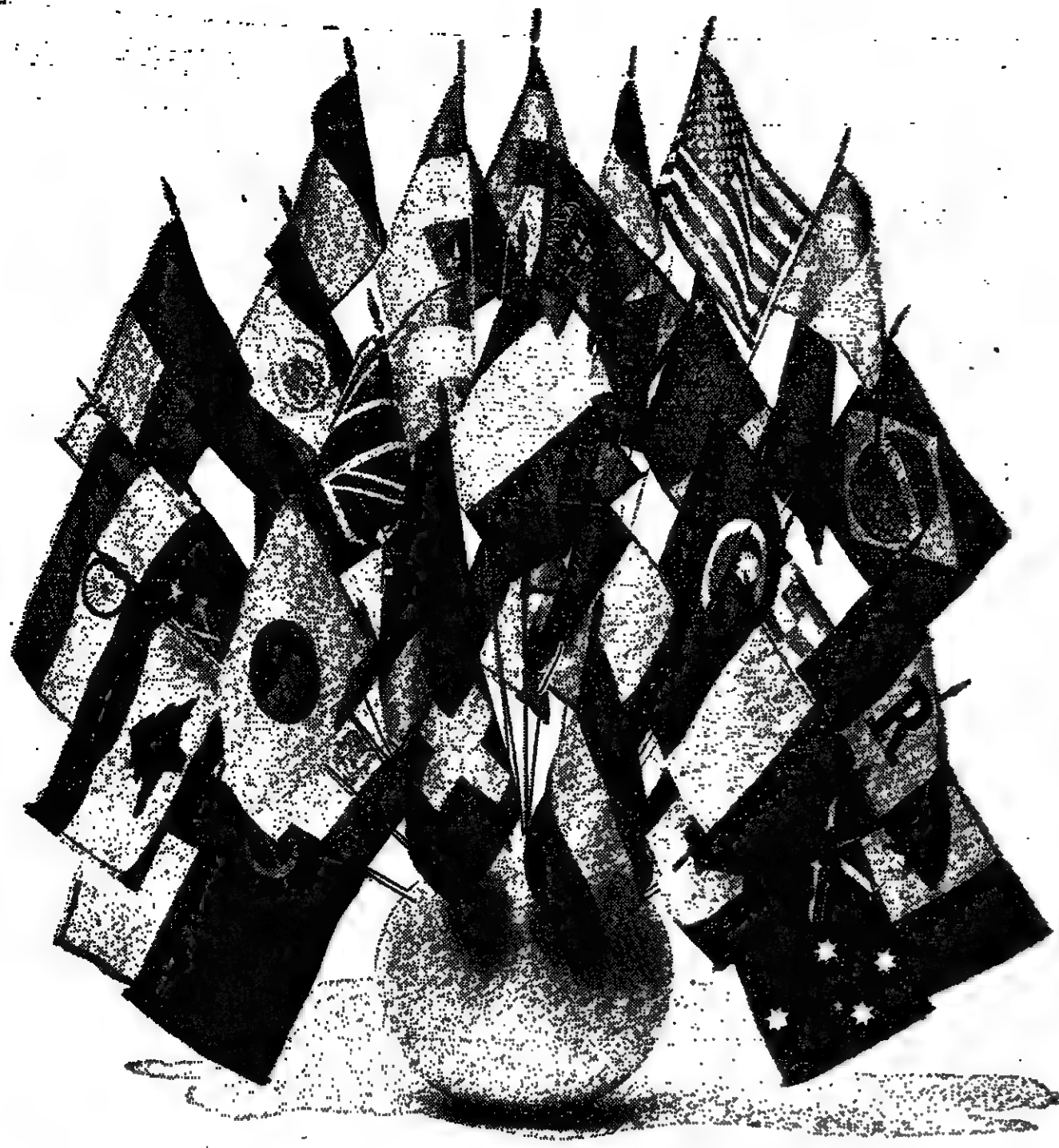
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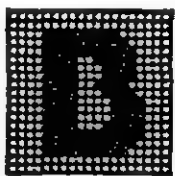
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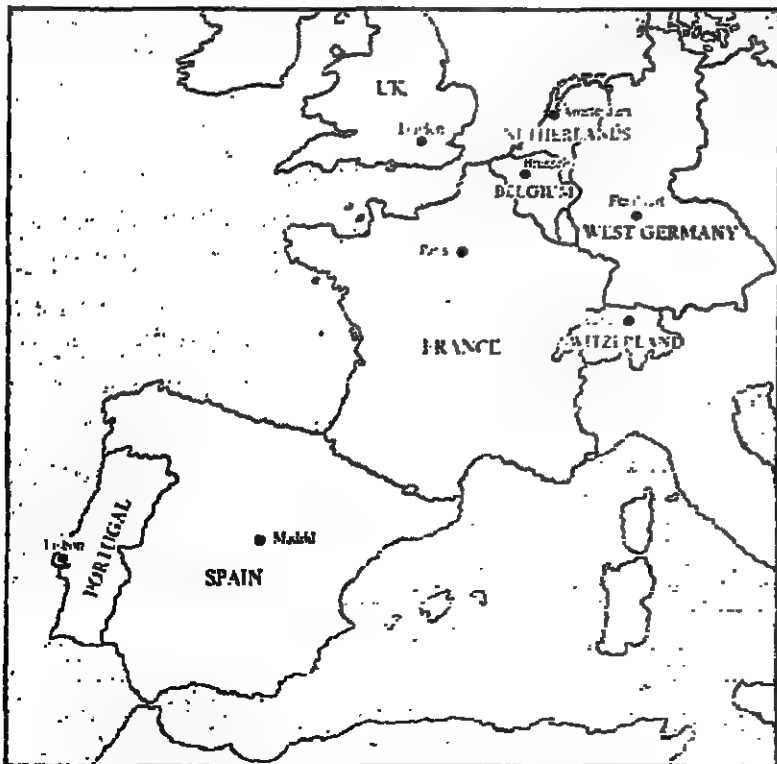
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### BANKING

### EUROPE XX

## Growing co-operation

By MICHAEL BLANDEN

Banking and finance is one of the areas of commercial activity where the enlargement of the European Community this year has had some of the most profound implications for the future development and character of the EEC. It has brought into the Community one of the world's leading international financial centres, the City of London, with a claim to play a major part in the development of European capital markets but with methods of operation and attitudes towards regulation which are radically different from those of many Continental centres. At the same time, while this contrast is of central importance for the current development of Community activity, the general trends of change in banking, both on the Continent and in London, have if anything been accelerated by the accession of the new members of the EEC.

There are, it is true, reservations in sections of the City over some of the trends discernible in the pattern of finance and banking. In general, though, events of the past few years suggest that the pattern of development is similar in all bank mergers which created the major centres including London. Among the main elements in the changing structure of banking, as picked out in a recent speech by Mr. Robin Hutton, the director of banking, insurance and financial institu-

tions at the Brussels Commission, are the related trends towards concentration, co-operation between banking institutions, and the diversification of banking operations.

Similar pressures in all countries are tending to lead to the same conclusions. They include both on a national and an international scale, the growing need for banks to be able to meet the demands of their industrial and commercial customers both for an increasing absolute size of financing requirements and for a growing diversity of services. The forms taken by reactions to these pressures have varied among different types of banks in different countries. But the result, whether achieved through merger and diversification by a single group or by building up closer and more effective co-operative arrangements, has similar effects on the service being offered by the banks.

#### List of mergers

Concentration in banking is a trend which has been evident in most countries of the EEC, with a long list of mergers and amalgamations. In the U.K., the big bank mergers which created the present structure took place some time back now; but the process has continued with mergers aimed both to establish greater size and strength for the institutions concerned and to fit in with the trend towards

the diversification of bank services. On the first count, the abortive attempt to bring Hill Samuel together with the Slater Walker Securities group was founded on the belief, of which the Hill Samuel chairman Sir Kenneth Keith has long been an advocate, that greater absolute size is necessary for a bank to continue to provide an adequate service to its big customers as well as on the aim of moving closer to the French *banque d'affaires* pattern of closer involvement with industrial customers. On the second, the Midland Bank takeover of Montagu Trust has provided the first example, made possible by the relaxation of the Bank of England rules, of a clearing bank moving directly into merchant banking by buying one of the top-flight accepting houses.

The growing co-operation between banks in different countries has formed a part of the rapidly increasing emphasis on international operations in banking. Every self-respecting bank of top rank virtually has now to be able to claim to offer a full international service to its customers, while the smaller banks and even some of those not strictly in the commercial banking business—for example, some of the Continental co-operative banks—have started to move in the same direction. The trend is exemplified most obviously by the continued growth of the consortium movement in

international banking, particularly in London, but is reflected in the continued importance of the ad hoc and temporary arrangements reached among banks for particular financing deals as well as of more traditional kind of correspondent relationships. The past year's events have given the movement towards internationalisation of bank a particularly European slant. One of the immediate reflections of the extension of the Community has been the involvement with industrial customers, including German banks, such as the Deutsche and Commerzbank, to set up representation in London and establishment of new links as the tie-up between S. Warburg and the Paribas group.

It has also given emphasis to the specific European consortium and groupings. These include particularly the Europart group of Crédit Lyonnais, Comptoir d'Escompte, and Banco di Roma, the Société Financière Européenne relationship, and EBIC partnership, the last which has taken a further important step in international operation with the establishment of a joint London-based international merchant bank operation.

The diversification of bank activities is also a trend which appears to be common in European countries. In so

Continued on next page

### INSURANCE

## Narrowing the gaps

By ERIC SHORT

Britain's entry into the EEC has focused a great deal of attention on the gaps between the nature of insurance operations in Britain and those in Continental countries.

Only Germany, and to a lesser extent France, has an insurance industry approaching Britain's in importance. The figures for life assurance are quite revealing, and it is a pity that figures for 1973 are not yet available for Continental countries, since that year was one of expansion in the U.K.

A closer look at the methods of running of the insurance industry highlights the differences in practice between here and various Continental countries. First, for non-life business, fire and accident offer similar types of contract as in the U.K. Marine and aviation insurance, because of the world-wide nature of the business, is difficult to compare, but is run on similar lines.

Motor insurance, however, on the Continent offers contracts where the cover tends to be less comprehensive than ours. One reason for this is the very high rate of premium charged for fully comprehensive cover. Motor insurance in the U.K. is still cheaper than on the Continent, a fact still often overlooked.

In the day-to-day running of non-life insurance there is one immediate difference. This is the practice in Continental countries to codify in the policy document full details of all the risks covered by that policy and to spell out in detail the exact position. Here, the legal principle of utmost good faith between insurers and insured is paramount.

This results in very lengthy policy documents for Continental insurers. The policy form has to be approved by governments, hence the contracts tend to be much more rigid. The degree of control varies from country to country, but it is very strong in France, Germany and Italy.

#### Premium rates

Then there are the decisions regarding the premium rates to charge. Again in certain countries these require at least government approval. This results in a more or less uniform rate for the same risk in many countries. First, let us compare rate. This control is much stricter in France, Germany and Italy, with more relaxed conditions in Belgium and Holland.

However, certain controls are creeping into the U.K. in respect of premium rates. Increases in premium rates for motor business have recently been referred to the Price Commission. The composite offices concerned did not get approval for the increase asked for and had to accept lower amounts. A similar situation exists in Belgium and Holland.

In deciding on the level of technical reserves to be held, again it is found that in Continental insurance this is laid down by law. The legislation sets out the formulae by which these reserves are calculated. In some countries, additional deposits on some or all branches of non-life insurance are levied.

Our Insurance Companies Amendments Act 1973 is introducing some form of control over the level of technical reserves, though not necessarily governmental control.

Finally, in the investment of funds, the government is usually prominent in directing the strategy. This takes the form of prescribing the type of security for the reserves to be held in and setting limits on the holdings of various types of security, often minimum limits for government and municipal investments and maximum for equities and property.

This contrasts markedly with the investment freedom allowed to U.K. insurers. This aspect of the running of the industry probably provides the greatest contrast between here and the Continent.

#### Closely linked

Payment of claims in Continental insurance is closely linked to the risks codified in the policy document. In the U.K. the good faith principle mentioned earlier is the guiding light. One result is that in Continental insurance, a higher proportion of claims is settled in the law courts compared with the U.K. This is especially so in motor business, where the ratio in France is about one in four claims taken to court, compared with about one in 20 in the U.K.

Then there is the practice in Continental insurance of paying taxes on most insurance premiums. This applies to all other members of the EEC, except the U.K. and Ireland. The rates at present vary from country to country, being as high as 30 per cent. in France for non-industrial fire business.

There is a directive from the Insurance Commission in Brussels that sets out to harmonise the premium tax rate at 7 per cent., with certain exceptions. Premium taxes are unknown in the U.K. and British insurers are united in their determination that things will stay that way. This is the thorniest problem in harmonisation.

Turning to life assurance, we find a similar pattern of strict government control in many countries. First, let us compare the types of life assurance business done on the Continent.

The past few years have seen a tremendous growth in the U.K. of unit-linked contracts, which now account for over one-third of all new life assurance business. Except for Holland, nothing like this has happened in Continental life assurance, where the amount of linked business done is extremely small.

Even the traditional business differs from that in the U.K. All Continental business shares in the profits, there is no split between with and without profits as in the U.K. Annuity business in Continental life assurance consists mainly of the traditional immediate annuity type. Guaranteed income bonds and similar allied business is not written. Because of the dominant role

of pensions on the Continent, far more than that in the U.K., the amount of pension business written is very much smaller. It tends to be of the "extra-benefit" type of business, more like the "top-hat" type of contract seen in the U.K. In Holland, the nearest in style to the U.K. pattern of life assurance, a considerable amount of group pension business is done, an exception among EEC countries.

As with non-life, the premium rates for life assurance have to be approved by the government, Act, 1973. The differences between the U.K. and the Continental countries are significant. Surrender values are accorded being reached in on a guaranteed scale laid down by law. Since 1967 approval for premium rates for life assurance companies commencing business after that date has to be obtained in the U.K.

There is very much less actuarial control and judgment seen in the running of Continental life assurance—in complete contrast to the U.K. Here the actuary has a very important part to play in the running of life assurance. Nowhere is this more evident than in the valuation basis, where on the Continent it is laid down by statute, much more so in investment policy, as with non-life, is strictly government-controlled, the exception again, being Holland. There are prescribed minimum amounts that the next decade

have to be held in government and municipal securities, a ceiling laid down for equity and property investment. The premium tax on life assurance is much smaller than that on non-life premiums and stands to be completely abolished under the harmonisation directive.

Although the U.K. insurance industry operates with considerable freedom, the Department of Trade and Industry has considerable powers of control, reinforced by the Insurance Companies Amendment Act, 1973. The differences between the U.K. and the Continental countries are significant. Surrender values are accorded being reached in on a guaranteed scale laid down by law. Since 1967 approval for premium rates for life assurance companies commencing business after that date has to be obtained in the U.K.

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## TAXATION POLICY

## EUROPE XXIII

## Conflicting policy objectives

F. CHOWN, Taxation Correspondent

most significant news on taxation along the same general lines. It is essential to appreciate that harmonisation need not, and indeed should not, mean standardisation. We have to deal with two conflicting objectives of policy. On the one hand, the European Economic Community is conceived of as more than just a Customs Union but as an area in which there will be no barriers to the free movement of capital, of people and of enterprise. To achieve this, it is necessary, but by no means sufficient, to abolish such direct restraints as tariffs and quotas on the movement of goods; and the abolition of work permits and exchange controls affecting

the movement of men and money. There are two further requirements. First, various forms of non-tariff barriers must be removed. One country should not be allowed to keep out the products of another simply by insisting on arbitrary standards (theoretically for health or other public policy reasons) but designed in practice exactly to fit the local product but not their foreign competitors. A country must have regulations prescribing the minimum qualifications needed to practise medicine. It is discriminatory to insist that only local examinations are recognised. Simply to provide for the mutual recognition of

qualifications would, in principle, permit the Community to be overrun by doctors qualified in whichever country has the least adequate standards, and some degree of harmonisation is necessary. Domestic restrictions on the investment policies of insurance companies and other institutional investors can restrict capital movements as effectively as formal exchange controls.

Second, we need a measure of tax harmonisation. If, as a result of differences in tax systems and imperfections in the arrangements for relieving double taxation, a German investing in France pays more tax in total than a German investing in Germany or a Frenchman investing in France, there will be a discrimination which is contrary to the aims of the Community. There is then a possible conflict with another aspect of policy. If all Community countries were to adopt the same tax system at the same tax rates, this would strip individual national Governments of most of their economic freedom of action. They could no longer use taxation as an internal economic weapon. They could no longer determine in what proportion the national product should be divided between individual and personally-decided expenditures on the one hand and centralised politician and bureaucrat-decided expenditures on the other. Considering that there is also pressure (which

sensible men are fortunately resisting) to remove the weapon of monetary policy by pursuing a political slogan of a unified currency, this would leave national Governments powerless. There is of course no objection in principle to stripping nine national Governments of their power, and replacing this power with the power of a single federal Government. There is no magic in the U.K., rather than Scotland, Yorkshire or Western Europe, being the unit of economic Government. However, it would be very wrong indeed to approach a federalist goal by depriving national Governments of their power, without first setting up proper institutions for controlling the power of the new Government which would take its place. Any serious delegation of national economic power to a central federal Government must, at the very least, be preceded by the institution of a directly elected European Parliament. Such a Parliament would have to overcome the language barrier, and to learn the right procedures for controlling the executive. In spite of the gallant efforts of Peter Kirk and his friends, this is likely to take some time.

**Vast differences**  
Quite apart from the problem of controlling a centralised EEC Government, there is still the very real fact that there are vast differences in national attitudes to tax-paying and to tax is collected by the Govern-

ment of the country of residence of the final consumer. Because the principle of zero rating rebates taxes collected at earlier stages and no more, there is a possibility in principle of using VAT as a disguised export subsidy. The total tax burden is exactly the same on home produced and on imported goods, but at the same time each country can impose taxes on its own citizens at rates appropriate for its own circumstances. In principle, therefore, we are already at the target of harmonisation without equalisation. There is no distortion on international competition and no undue pressure on Governments to pursue inappropriate domestic economic policies.

This is not felt to be quite enough and the recently published Draft (still unapproved) for a Sixth Directive seeks to go further by imposing more uniformity of coverage and of rates. Why should this be necessary? There are three reasons, two good and one bad. First the abolition of customs duties means that goods can move from one member country to another without customs formalities. There are however still the formalities in that the seller must claim the transaction out having to be subsidised by member governments. It is obviously necessary to have the 1 per cent, calculated on the same tax base and therefore it was argued that it is impossible for some countries to exempt or zero rate particular categories of goods. This of course is not so. If we, in the U.K., choose to zero rate food, we can do so provided that we pay over the sum which we would have collected by imposing a 1 per cent. rate. How we finance this is and should remain, our own business. This now appears to have been accepted, perhaps reluctantly, by the Commission.

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## Own budget

The bad reason is the proposal that after 1975 the yield of a 1 per cent. VAT rate should be paid over to the Community as such to enable it to have its own budget without having to be subsidised by member governments. It is obviously necessary to have the 1 per cent, calculated on the same tax base and therefore it was argued that it is impossible for some countries to exempt or zero rate particular categories of goods. This of course is not so. If we, in the U.K., choose to zero rate food, we can do so provided that we pay over the sum which we would have collected by imposing a 1 per cent. rate. How we finance this is and should remain, our own business. This now appears to have been accepted, perhaps reluctantly, by the Commission.

TINUED FROM PREVIOUS PAGE

## BANKING

as West Germany, it is of the established pattern of universal banking, in which the big commercial banks their customers the whole of banking services which here, and particularly in Germany, have tended to be set up among a number of specialised sectors. In West Germany, though, has been further developed with some of the allied operations, such as Girozentrale, moving for a long time into the of international banking; argest of these, the Westdeutsche Landesbank, is of well known international in its own right and as a member of the Orion national consortium.

similar in most countries, however, the accession of the U.K. has nevertheless made a substantial impact on the potential structure of the EEC as a whole. To start with, while the trend towards bigness and concentration in banking has had some apparent support from the authorities in London, and has been generally accepted by the big banks, views on the subject are far from unanimous. Many of the smaller banks, particularly among the merchant banking community, would still argue against too much emphasis on the advantages of the universal bank and in favour of the benefits of continued specialisation.

## More important

Even more important, events during the year have served to highlight the fundamental differences in the approaches to the regulation of banking between London and most other Continental centres. As Mr. Hutton pointed out in his recent Institute of Bankers Ernest Sykes Memorial Lecture, the situation reflects a general view of life which is fundamentally different; "it is founded," he said, "on a system of law which gives people the right to do things; unless the things people want to do are specifically provided for in the law, they may not be done." Applied to the City, this philosophy provides an obvious contrast with the flexible and deliberately informal methods of control which the Bank of England has exerted, and which have undoubtedly contributed substantially to London's rapid growth as a centre of international banking.

The Continental approach was very much reflected in the proposals which the Commission had been working on for new directives to provide the basis for the harmonisation of banking legislation in the Community. Not perhaps surprisingly, it has been difficult to gain general acceptance even among the members of the original Six.

The British banking community has left no doubt over its views of the proposed regulation of banking activities, with the recently reformed British Bankers' Association expressing a generally supported attitude among all types of banks in the City in its criticisms of the attempt to lay down detailed banking regulations. In this sense, full advantage has been taken of what Mr. Hutton referred to as the "honeymoon" period after British entry to the EEC, when the original members have been prepared to pause in the development of their harmonisation plans in order to take account of the views of the new members.

The response to British views appears to have been considerable. Among the members of the Six themselves, some of the arguments put forward appear to have been listened to with respect. One result of the debate is likely to be that considerably greater consultation with the representative organisations of the relevant industries—in this case the Fédération Bancaire—will be undertaken before steps are taken to put proposed rules on paper. Moreover, Mr. Hutton indicated that the Commission was now considering changing its whole approach to the problem of co-ordinating the regulation of banking in the Community.

The possibility now seems to be there that, instead of attempting to set out comprehensive and uniform rules, the Commission will limit its objective to providing a basis of rules vital to free competition within the EEC on which harmonisation might be acceptable. This would provide a framework but leave the various national authorities room to continue with their own particular styles of regulation.

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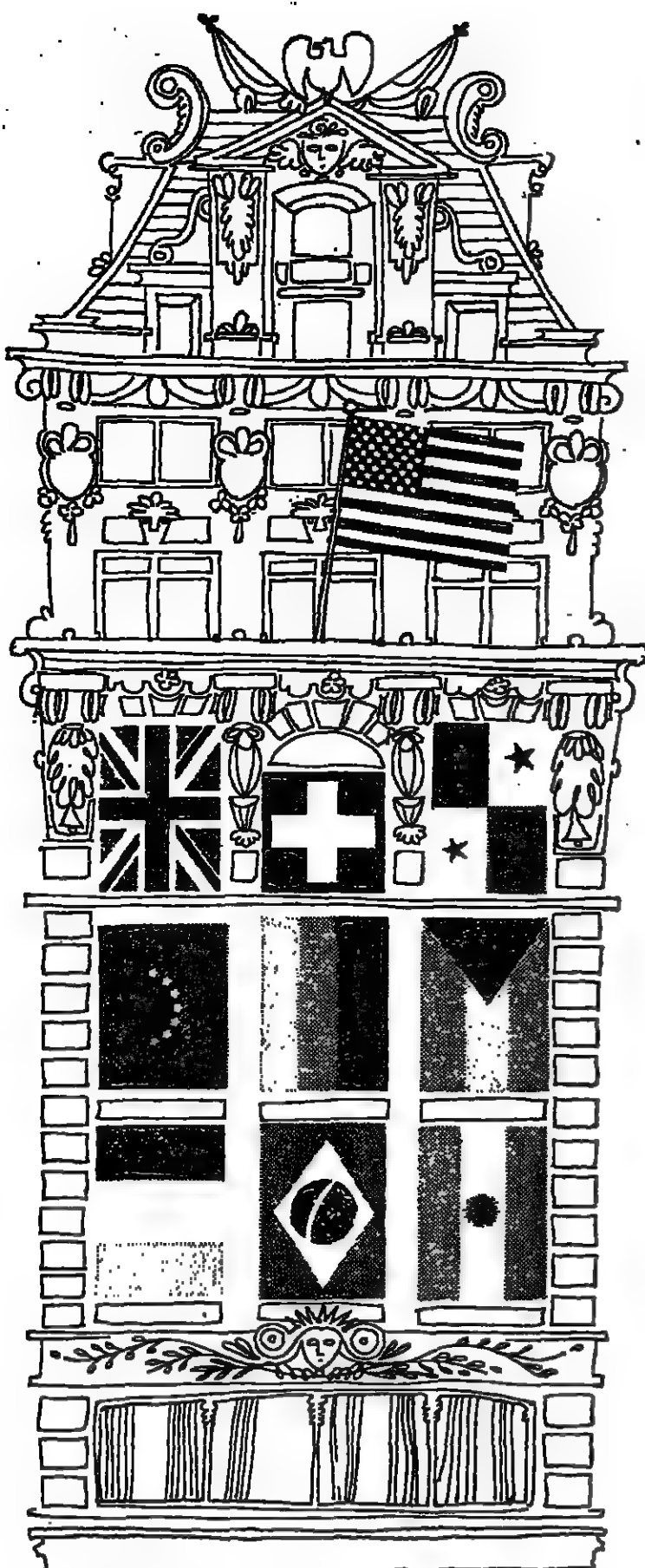
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## THE MOTOR INDUSTRY

EUROPE XXIV

# Never the same again

By JAMES ENSOR, Motor Industry Correspondent

European motor chiefs have been watching the development of the Arab oil cuts with mounting concern, if not despondency. For the motor industry, after the oil industry itself, is most directly vulnerable to the evaporating supplies of crude oil. Its entire £10,000m. annual output—in Europe alone—is dependent upon a ready supply of petrol or diesel fuel; for all though it is possible to adapt cars to run on methane or other fuels, the lack of any organised distribution system for such products and their rather limited supply means that they could provide only a limited palliative.

Few people in Europe to-day buy a new car or a new truck because they have to; in most cases, the new model is replacing an old or sometimes not so old model. Thus, in times of economic uncertainty, purchasers can readily postpone or cancel their purchase. And in the car market, at least, such decisions are more often made for psychological than for real economic reasons.

### Demand will suffer

Inevitably demand for cars and trucks will suffer in Europe next year, because of the public concern over the future of oil supplies. Equally inevitably, the motor industry in Europe—and even more so in North America—has reached a watershed. Things will never be quite the same again.

Except in the Netherlands, there has not yet been any catastrophic decline in demand for cars. Elsewhere, sales have actually risen in some cases, as

they did in Britain at the beginning of November, for example. Demand for small economy cars has been predictably strong, with the Mini once again becoming the most popular car on the British market and the economy 1200 cc Beetle showing an unprecedented surge in sales.

In France, Citroën enjoyed a 20 per cent. increase in orders for petrol or diesel fuel; for all though it is possible to adapt cars to run on methane or other fuels, the lack of any organised distribution system for such products and their rather limited supply means that they could provide only a limited palliative.

What evidence there is, suggests that in Britain, and the other markets of Europe apart from Holland, there has been some weakening of demand for cars, behind the facade of apparently continuing strong sales. The situation varies from make to make, model to model and region to region, but it would appear on average that orders have dropped by some 20 or 30 per cent., with a stronger decline among the larger cars and a weaker one in the small car market.

Imports appear to have been harder hit than domestic marks. Fiat, one of the few companies with the courage to publicise details of its order intake, reported that export orders had fallen by 30 per cent. And in both Britain and Germany sales of imported cars have fallen faster than those of domestic makes.

This is surprising since, in Germany particularly but also to some extent in Britain, importers have concentrated on the economy end of the market. German imports are mainly of small Fiat, Renaults, Simcas and Citroëns; but in times of

adversity, buyers appear to turn back to the best-known domestic economy product. In Germany's case the Volkswagen Beetle and in Britain's, the Mini.

In the truck market, matters seem to be more serious, for the majority of European demand for commercial vehicles is still accounted for by small businesses, in the grocery, building or haulage trades. Buyers have to be shrewdly responsive to the economic situation for the cost of an unused truck can make a severe dent in the finances of a small operator.

### Already weak

Unlike the car market, demand for commercial vehicles was already weak throughout much of the Continent and particularly so in Germany and Italy. Considerable excess capacity exists in the European truck industry—particularly in the medium weight categories—and price cutting has already been rampant, especially in Germany.

So far, car and truck manufacturers have been mainly affected by the drop in export orders, rather than poor domestic demand. Citroën, for example, quoted poor export demand as the main reason for its five days of close-down over Christmas. Fiat, too, referred to the particular decline in its export business.

German manufacturers, traditionally highly export-orientated, are particularly vulnerable to a sharp fall in export demand. Both Ford of Germany and Opel as well as the more obvious Volkswagen and Daimler-Benz

have been shipping large quantities of cars to North America, so that any decline in American demand for small cars would immediately affect their production. So far, of course, U.S. demand for European-sized cars has been running well ahead of the domestic industry's ability to supply it, providing a field day for the importers. But as Ford and General Motors complete the process of converting some of their large car plants to build sub-compact models the opportunity for importers may be diminished.

Both Ford and GM have faced up to the poor demand for their larger cars—the Consul/Granada and Rekord/Commodore ranges respectively—in Germany. Both have announced limited cutbacks in output during December and January to keep unsold stocks from escalating too high. The reluctance to buy large cars induced by the threatened petrol shortage is, however, only one of the causes of this predicament. Of equal importance, is the fact that the continual rise in the value of the D-Mark has made German cars very expensive in export markets and the fact that the German economy was moving into a recession even before the oil crisis erupted.

Neither Mercedes-Benz nor BMW, which dominate the luxury car market in Germany, has yet been forced to announce any reduction in output, though both must be watching sales figures carefully. So an additional reason for the discomfiture of Opel and Ford could be that they have been losing ground in the upper end of the German market to competitors like BMW and Audi.

In the truck business, however, matters are already more serious. Even Daimler-Benz, undoubtedly the strongest manufacturer in the heavy end of the European truck business, has had to introduce reduced production at some of its plants. So far the lower end of the Mercedes range, the trucks and vans built in the plants acquired from Hanomag, have been mainly affected but it seems likely to be only a matter of time before the big plant at Wörth is forced to slow down, too.

The British industry will be the worst affected of any in Europe, from a production point of view. Paradoxically, it is the best placed of any from an order viewpoint. Such a pressure of unsatisfied demand had been built up during the last summer that, even popular models like the Cortina have order books of a couple of months. Luxury cars, like the total,

Jaguar, Triumph Stag, Range Rover, Rolls-Royce or Rover, 3500 have such a ridiculous cushion of demand that even the economic depression and fuel rationing which Britain are unlikely entirely dispel it.

Three-day working, will not affect the motor industry directly until the second week of January. The long Christmas New Year holiday will give motor chiefs a chance to review their situation and work out some more concrete plans than they have so far formed. In theory, the industry should be able to build 60,000 cars in 6,000 commercial vehicles each week. This will be a drop of only 11 per cent. on the car side and 30 per cent. on the truck and van side from the average output actually achieved throughout 1973.

### Lower demand

In the New Year, if the Arab continue to tighten their grip on Europe's fuel supply, seems inevitable that European demand for cars will diminish sharply. There are no real precedents to suggest how deep the decline will be, but British demand during the period rationing after the Suez War fell by about a third.

Clearly the decline will be hardest at manufacturers of large cheap cars, which mean General Motors, Ford and Daimler-Benz. Daimler-Benz and Jaguar, the acknowledged leaders in the European luxury car market, are likely to be affected if only because waiting lists for the S-Class and X-Series are so long. The posture of the performance car manufacturers, such as Alfa Romeo, Triumph and BMW and of its executive car producers, Rover, Volvo and Peugeot is likely to be worse than that of the small car specialists but better than that of Ford or GM again because of established demand.

Sales of Minis, Beetles, Renaults 4s and 5s, the Fiat range and the economy Citroën should benefit from the increased awareness of fuel cost among car buyers. Equally small but comparatively expensive cars such as the Peugeot 404, the Audi 80 or the Alfa Romeo Alfard should benefit from the attentions of people who want to give up the fine costs of a large car without resigning the comfort.

It would be foolhardy to predict whether total demand for small cars in Europe next year will be larger or smaller than 1973, although it will clearly be order books of a couple of months. Luxury cars, like the total,

## THE SPACE PROGRAMMES

# New agency seeks coherent policy

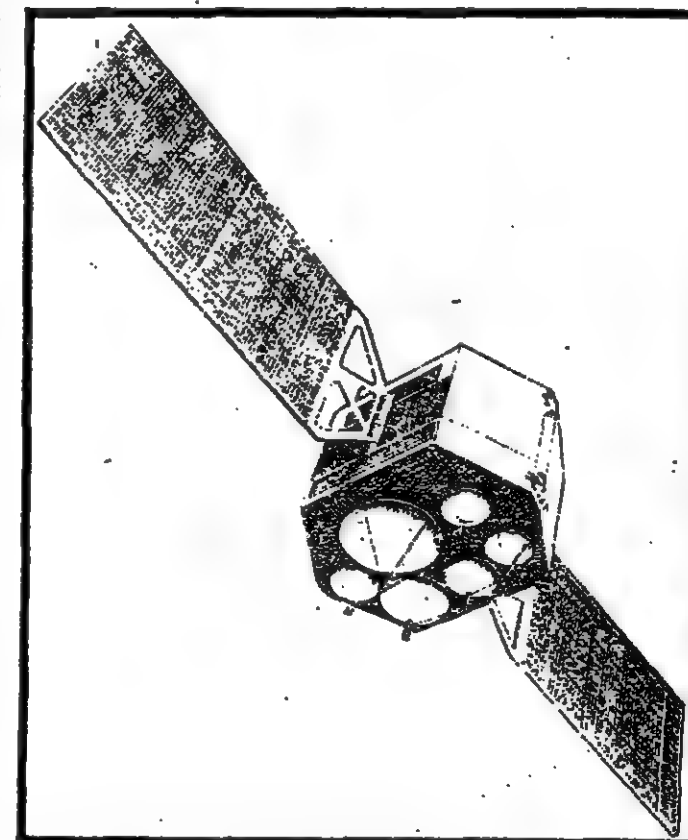
By MICHAEL DONNE, Aerospace Correspondent

After a long period of uncertainty, amounting at times almost to confusion, Europe's space industries can now look forward to a more settled period in space affairs, as a result of the successful Ministerial meeting in Brussels in August, which charted a new way forward in this area of advanced, and expensive, technology.

While individual European nations are not prevented from undertaking ventures of their own if they feel they are either essential or desirable, henceforth European Space activities are to be channelled through a new body. 'A European Space Agency is being set up to co-ordinate the fragmented activities of the various organisations already in existence, such as the European Space Research Organisation, primarily working on scientific and technical satellites, and the European Launcher Development Organisation, which has hitherto been building the unsuccessful Europa II rocket launcher. This agency will be responsible for controlling the direction and the scope of European space affairs. It will be financed by the participating governments; and it will allocate work to the participating countries in proportion to the sums their governments subscribe.

It will be the dominant body in European space matters, and will be responsible for dealing with the U.S. National Aeronautics and Space Administration, and other space authorities.

It will be responsible, for example, for the three major space projects on which Europe will henceforth concentrate, in addition to the wide range of scientific and technical satellites



Artist's impression of ESRO's Orbital Test Satellite, scheduled to be put into orbit at the end of 1976.

already in progress. The first of these is the Spacelab—the £130m. plan for a manned orbiting workshop that will be used in conjunction with the U.S. Space Shuttle project for a reusable manned space transport system. The agreement between Western Europe and the U.S. Ariane—a plan for a £190m. rocket that will be capable of launching Europe's own satellite—was

Continued on next page



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## THE CHEMICAL INDUSTRY

## EUROPE XXV

# Out of the frying pan into the fire

By RAY DAFTER

The European chemical industry, which has lived through a year of frustration and uncertainty, has plunged into deeper difficulties as a result of the Middle East oil situation.

Any hopes that the prolonged period of speculation about feedstock prices and supplies would soon be resolved—thus clearing the way for long term investment decisions—have been dashed. The difference now is that the immediate prospects look even bleaker than they did six months ago.

And yet the might and combined skills of the European industry, producing an annual turnover of well over £20,000m., cannot come up with an accurate forecast of what will happen in the next few weeks, let alone months. A journalist seeking clarification of the situation is just as likely to be asked by a company director: "What do you think will happen?"

Clearly the industry as a whole is carrying out a fundamental review of its investment programmes, not only in the light of its own feedstock situation, but taking into account the effect of fuel shortages on industrial growth in the different markets.

It is also a case of testing the market to see its reaction to very much higher priced materials. This is particularly relevant in the plastics sector.

## Feedback problems

As Mr. J. S. Schrader, a director of the large Antwerp chemical plant of BASF (Badische Anilin und Soda-Fabrik) told me a couple of weeks ago: "We must see whether the consumers and industry are willing to pay higher prices for materials which may have been regarded as cheap in the past."

First, however, the industry must have capacity to produce the required material and here the shoe is beginning to pinch not only because of feedstock problems but because of plant capacity constraints and, in a surprisingly large number, plant failures.

In essence, the European industry—like its competitors throughout the world—has jumped out of the frying pan into the fire. The erstwhile situation of gross overcapacity has changed with a vengeance. It seems almost unbelievable in current circumstances that less than 18 months ago it was estimated that there was more than £1,000m. worth of petrochemical plant lying idle in Western Europe.

Demand for chemicals this year has increased dramatically. In the U.K., for instance, output in the first nine months was 11.2 per cent. over the same period last year. In West Germany chemical sales for 1973 are estimated to have risen to DM65,000m. from DM56,000m. in 1972—an increase of 16 per cent.

## Severe shortfall

When leading members of the German Chemical Industry's Association met in Düsseldorf a few weeks ago it was generally agreed that meaningful forecasts for next year are impossible. Few in Europe would argue with that.

A severe shortfall in petroleum-based raw materials could, in the words of one member, have "catastrophic consequences for chemical companies and customer industries at large." In Germany—like the Benelux countries and Scandinavia among the worst hit by oil shortages—supplies of naphtha were expected to be short by as much as 30 per cent. by the end of this month.

The shortage of naphtha, now general throughout Europe, is inevitably pushing up the price of this basic chemical feedstock. One estimate put the increase at 400 per cent. in 18 months. This is obviously being felt in the price of downstream products. Just over a week ago, for example, British Price Commission revealed that Imperial Chemical Industries had been given another big price increase for cracker products, raising the price by some 50 per cent. in three months. (The increase claws back some of the difference between U.K. and other European prices).

In the man-made fibres sector it is widely acknowledged that prices will have to rise, and Bayer, of West Germany, has said that the increases could be as much as 25 per cent. Nevertheless, most fibre manufacturers are sticking to their ambitious expansion plans to cover their long-term requirements.

In the short-term, however, it is a story of cutbacks. Hoechst, one of West Germany's big three chemical companies, has cut its

deliveries of all types of plastics by 30 per cent. This follows an earlier announcement of 10-15 per cent. cuts in the output of synthetic fibres.

Indeed, reports in trade journals read like casualty lists. Belgian polyethylene producers are said to be operating at only 50 per cent. of production capacity. Monsanto has announced allocations of 30 per cent. of normal supplies of polystyrene and other products from its Newport, Wingham and Antwerp plants. Few, if any, companies are avoiding allocated supplies (they hate the word rationing) to some extent.

There is an indication that companies are using barter methods increasingly while—as usual in such tight situations—there have been claims of black markets being created at the downstream end of production. Particularly for plastic materials.

Set against this depressing if hazy background of current problems—the industry naturally hopes they are also temporary—is the general desire to reach the right balance of supply and demand. That means the industry must be much clearer in its capital spending forecasts than it has been in the past. That, in turn, must mean more interchange of information. Business confidentiality has made this difficult in the past but the European industry has a body through which it can feed information on a confidential basis—The European Council of Chemical Manufacturers' Association (CECM). This was demonstrated by the Council's recent, and extremely useful, olefins study.

It is a pity that the U.S. companies were unwilling to co-operate in the survey, mainly, one feels, for U.S. anti-trust reasons. CECM has, for the time being, estimated their past and expected future operations.

The survey shows that as far as ethylene is concerned the difference between effective plant capacity and actual consumption this year has been about 1.3m. tons; this buffer is expected to be halved by 1975.

When viewed in terms of capacity utilisation—consumption as a percentage of effective capacity—the survey for ethylene shows that the situation could become very tight between 1975 and 1977. Capacity

utilisation is expected to be about 94 per cent.—healthy for the chemical companies but leaving little margin for plant failures, strikes and the like. Experience in Britain, Europe and especially Japan this year has shown that these upsets can play a significant part in disrupting production.

The survey statistics indicate that seven large olefin plants of around 450,000 tonnes ethylene capacity each and a small 110,000 tonnes plant will come on stream in the next four years.

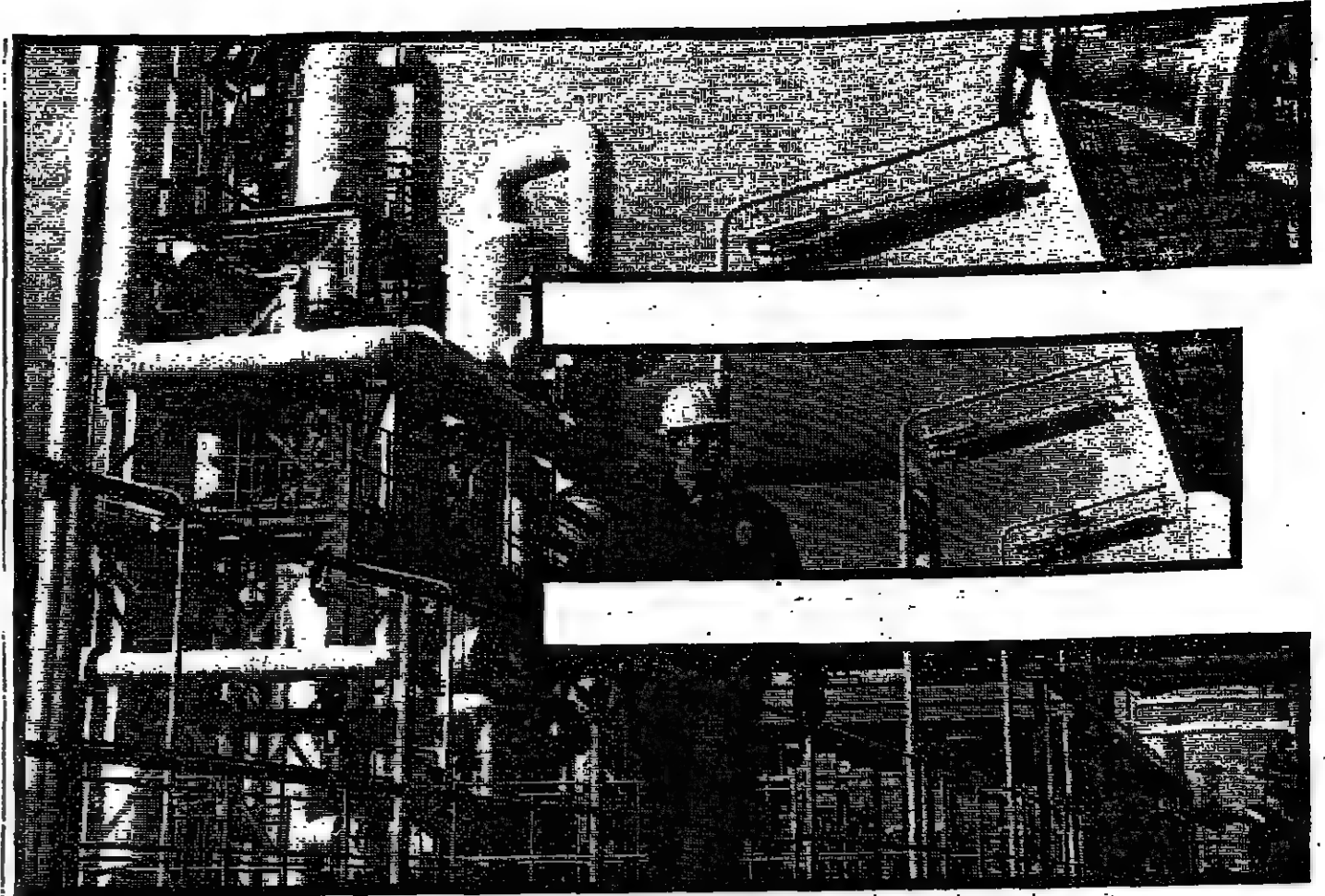
The naphtha feedstock requirements between 1972 and 1977 are expected to grow at an annual rate of 11 per cent., rising to a heady 51.25m. tonnes in four years' time. While the growth rate is some 8 per cent. down on the past six years, it nevertheless must prove a worry in the current oil supply situation. Far from being in a growth situation, the naphtha supplies from refineries are currently in decline. How long this "temporary" phenomenon will last is one of the factors chemical companies are trying to judge.

## Cautious approach

One respected industry commentator said this month that so far as new olefin capacities were concerned, caution was the by-word. In current circumstances a cautious approach must be essential. The difficulties certainly lend weight to the argument put forward by Mr. John Townsend, a director of ICI, at the annual meeting of the Society of Chemical Industry's overseas section in September.

He pointed out that the overcapacity situation—the scourge of recent years—had been aggravated by decisions of individual companies to proceed with plans to create new capacity, unaware that other companies were planning to meet the same additional demand. A greater openness in market assessment and co-operation on investment planning was needed. (CECM's role is useful here).

"There is no doubt we can maintain this competition with less wasteful deployment of resources, both human and materials, if we are somewhat more open in our exchange of reliable information."



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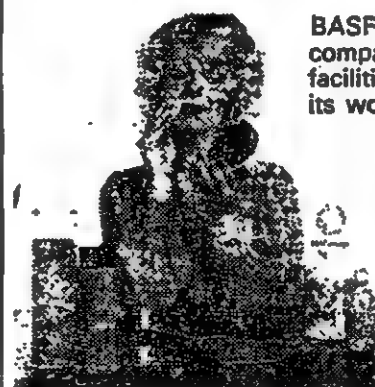
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## SPACE PROGRAMMES

es into orbit in the late 1970s and beyond, theoretically making Europe independent of U.S. (and capacity, whether or not a Space Shuttle survives, though there was much doubt about the L-3S proposal, it is still in the overall package of measures designed to ensure a meaningful European space programme represented triumph for the French, whose basic idea it was, and whose insistence on its continuance as part of the price for their continued support of a united European space effort.

Thirdly, Europe will develop a maritime communications satellite-to-shore satellite, called Marotis, at a cost of some £31m. This was a particularly British-inspired development, which in turn only survived because the

U.K. accepted the L-3S.

The entire agreement hampered out in Brussels represents a £350m. package that hopefully will consolidate the hitherto indecisive nature of European space affairs, and encourage officials and industry in various nations to work together. The past situation in European space affairs has been bedevilled by competition, differences of view, bitter criticism of one country by another, and sometimes even active attempts at international conferences to disrupt the plans of rivals. The picture that emerges is not an attractive one.

This, it is to be hoped, is now a thing of the past, and that with a reasonable clearly-charted way ahead, industry,

officials, and governments can try to make something out of Europe's undeniable technical skills in this new dimension in human knowledge. Already, because of the fragmentation of past efforts, Europe is well behind in the space arena. All of the major breakthroughs have been achieved either by the U.S. or the Soviet Union, not because either of those two countries have a preponderance of academic prowess in astronautics, but because they achieved a cohesive policy at an early stage in the space venture some 20 years ago (NASA was formed in the early 1950s), and poured money into it.

It has never been Europe's intention to become directly involved in the manned space-flight venture—spending its own money to develop manned missions to the moon, for example. Nor has it been the intention to spend vast sums in duplicating the deep-space, unmanned, interplanetary probes undertaken by the Soviet Union or the U.S. The preference has been rather to seek to exploit space activity from the technical and scientific end, to develop satellites that would have some basic usefulness such as in telecommunications and weather forecasting, or add to the scientific knowledge of the space environs of our own planet.

## Small element

This emphasis will continue. The Spaceclab will be only one small element of the overall Space Shuttle venture—albeit a significant one for Europe, providing a means whereby scientists will be able to live and work in space for long periods at a time. The L-3S will be developed steadily to the point where it will become available for launching satellites, but at this stage it is not clear precisely what satellites it will launch.

It seems likely, therefore, that under the European Space Agency the most significant programmes will continue to be those scientific and technical

satellites already under development, together with the new Marotis, and perhaps other new satellites now mooted, such as the Aerosat for aeronautical communications and navigation. The European Space Agency's most important functions in the immediate future will be to try to inject some measure of coherence into the situation, to restructure space activities in a meaningful way, and to restore the confidence that has been sadly eroded by the doubts, hesitations and disputes of the past. Only when it has achieved these things will it be able to get on with the other major part of its task, which is to look ahead, and devise those satellite and other space programmes that may be needed in the later years of this century and beyond, either independently or in consort with the U.S. or the Soviet Union or both.

## New ventures

The intention is that from now on, any new space venture envisaged by a member-country of the ESA should first offer it to the Agency for all to consider and work on if approved. If it is rejected by the ESA, the individual proposing country would be free to go ahead alone. At the same time, the ESA itself will be free to look round the whole field of space research and put forward new ventures of its own for governments to consider.

The Space Agency, in fact, represents in space affairs what many have long advocated in the aircraft manufacturing industry—a central co-ordinating body responsible for new designs on which many companies can participate together. If the Space Agency works, the idea may well be translatable to aircraft manufacturers as a means of overcoming the current problem of how to restructure themselves into smaller numbers of stronger units. In the meantime, many will be watching this newcomer to the field of European international collaboration, to see how well it shapes up in the difficult years immediately ahead.

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hingeless rotor means fewer moving parts which makes it virtually trouble free."

John W. Schwitters: "The big advantage for Girard Bank is the twin engine of the BO 105 which allows us to land on our new building in the centre of downtown Philadelphia eight times a day. Other advantages are its safety features and its large cargo and passenger area. The amount of work the BO 105 brings in two hours would take a truck all day."

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## THE AIRCRAFT INDUSTRY

## EUROPE XXV

# Bleak times ahead

By MICHAEL DONNE

The world's aerospace manufacturers, and particularly those in Western Europe, face some tough problems in the immediate future. One of the most immediate effects of the current fuel shortages is certain to be a reduction by airlines in the volume of new orders for aircraft of all kinds, as they fight to keep their networks intact in the face of severe cuts in services.

Orders for airliners have been difficult to come by for some time past, largely as a result of both the rising cost and complexity of modern types, but also because of the airlines' own financial difficulties, stemming from the air transport recession of the early 1970s from which they have only just begun to recover. For the next year or two, orders will be even more difficult to win, and it seems likely that they will be placed only as and when existing aircraft become too old to fly. In a situation where services are being cut back, and pilots and staff laid off, capacity is likely to become spare in the fleets of most airlines, making re-equipment purchases largely unnecessary.

While the most immediate threat of this situation will be borne by the current generation of jet airliners on offer—the Boeing 747s, TriStars, DC-10s and airbuses—as well as such narrow-bodies still in production as the Boeing 727s and 737s, it is also certain to push further into the future the development of any new generation of jets. At least two of these were being mooted—the European consortium's Quiet Take-Off and Landing (QTOL) project, and the Boeing Company's 7X7 plan for a family of transports. The belief is now that neither of these is likely to get started much before the end of this decade, or even early in the 1980s.

The manufacturers argue that until a proper European market climate is created, it will be impossible for this situation to be changed, and that any future heavy government investments in new aerospace projects could well be undermined by this continued U.S. domination of the European airline fleet. The manufacturers are not asking for any political directives that European airlines should buy European-built products (although some do say that this might not be a bad thing, in that some European airlines have an almost automatic propensity for buying American without even looking at what Europe has to offer). Nor are they ignoring their own basic responsibility, which is to build the right type of aircraft, at the right time and the right price. They recognise that no one, whether in Europe or elsewhere, will want to buy a bad aeroplane at the wrong

### Big combine

One of the most popular ideas that has been mooted in recent months is that of the "transnational" company, the merger of companies in different countries into one big combine striding across frontiers. As a political theory, it sounds impressive. Throughout the European aerospace industry, however, it has met with an almost universally cool response and nowhere more so than in the U.K., where neither the British Aircraft Corporation nor Hawker Siddeley Aviation likes the sound of the idea.

The basic attitude of nearly every aerospace manufacturer in Europe is that before applying further pressures on them for mergers, amalgamations or changes in industrial structures, the governments themselves should take urgent steps to ensure that a viable European market for European-built aerospace products is created. The manufacturers argue that 74 per cent. of all airliners in European service are American built, and that throughout the world as a whole, the proportion is even higher, 80 per cent.

The manufacturers argue that until a proper European market climate is created, it will be impossible for this situation to be changed, and that any future heavy government investments in new aerospace projects could well be undermined by this continued U.S. domination of the European airline fleet. The manufacturers are not asking for any political directives that European airlines should buy European-built products (although some do say that this might not be a bad thing, in that some European airlines have an almost automatic propensity for buying American without even looking at what Europe has to offer). Nor are they ignoring their own basic responsibility, which is to build the right type of aircraft, at the right time and the right price. They recognise that no one, whether in Europe or elsewhere, will want to buy a bad aeroplane at the wrong

### Fuel problems

The aircraft manufacturers, therefore, face a bleak period ahead that they had expected as recently as three to six months ago. No-one knows just how long the current fuel problems will last, or how much more severe they will become before they get better. With fewer orders in prospect, some manufacturers may have to lay off labour—in the U.S., Lockheed has already begun to do so, following a decision by Eastern Air Lines to delay deliveries of some of the TriStars it has on order. All the manufacturers will be competing vigorously for such few orders as will be available.

It is in this situation that the European manufacturers in particular must seriously consider their future programmes and policies, and

what structure they ought to adopt in order best to translate those policies and projects into finished aircraft for sale. Their objective must be to ensure that, as and when the procurement situation improves, and a new generation of aircraft needs to be developed, they are in a position to seize a bigger share of the available market than they have won in the past.

While past techniques for international collaboration will undoubtedly be continued, and perhaps also even extended, the manufacturers are, and will continue to be, under pressure from their governments to develop new techniques.

They would like to see a common European Certificate of Airworthiness, involving common standards and specifications. They want uniform credit facilities, and a tariff structure that will protect them in the same way that American manufacturers are protected by the "Buy American" Act and other measures.

If all of these things are done, they feel that much of the difficulty in the way of broadening the European market will have been cleared, and it will then be up to the manufacturers themselves to ensure that the products they provide meet the European airlines' requirements.

It will still not solve the problem of the industry's own future structure, however, and to deal with this they have said that if the governments move to help create the market, they will undertake of their own volition to study the various ways in which the restructuring of the industry can best be achieved.

In the meantime, the basic forms of collaboration already tried and proved, such as the formation of specific companies for specific projects, such as Airbus Industrie on the A-300B, will be continued, and perhaps even extended. What is clear is that for the next year or two, the European aerospace manufacturers, given perhaps a breathing space as a result of the slow-down in re-equipment by the airlines, have an opportunity further to discuss their own future problems, prospects and reorganisation, without being strained by competitive pressures to produce new products with which to beat off U.S. competition.

At a time of increasingly tough competition to build and sell a smaller number of new types of more expensive civil aircraft, new techniques of collaboration are needed. One possibility of overcoming the difficulties in the way of restructuring the industry is to create a new family of aircraft that such an Agency might promote as the second-generation supersonic airliner, or perhaps eventually the Europa consortium's plan for a Quiet Take-Off and Landing aircraft or a totally new family of supersonic aeroplanes for the 1980s and beyond that made less use of fossil fuels and more use of new forms of propulsion, such as nuclear power or liquid hydrogen.

The establishment of such a new family of aircraft might be the easiest way of bringing together the existing aerospace industries of a large number of countries without anyone being obliged to sacrifice his independence or merge himself unnecessarily into a small number of stronger units. The single stronger unit would be the Agency itself, with the power to control the design, development, production and sale of the aeroplane chosen.

### New family

Examples of the types of a craft that such an Agency might promote as the second-generation supersonic airliner, or perhaps eventually the Europa consortium's plan for a Quiet Take-Off and Landing aircraft or a totally new family of supersonic aeroplanes for the 1980s and beyond that made less use of fossil fuels and more use of new forms of propulsion, such as nuclear power or liquid hydrogen.

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## CONSTRUCTION

## Still big business

By MICHAEL CASSELL

The construction industry in Europe contributes between six and ten per cent. of the gross national product of all the countries concerned and employs about 23m. workers. As Mr. Paul Channon, U.K. Minister for Housing and Construction, recently put it: "That's big business by any standards."

It is a business whose performance affects the well-being of whole nations, whose fortunes vitally affect the personal welfare of the people engaged in it and which remains extremely sensitive to economic change. Nowhere are the key aspects of economic recession felt faster or more deeply than in the construction industry and few sectors are expected to respond so quickly to a revitalised economy.

For a long time, many countries have regarded construction as a national or domestic industry, making use of indigenous materials and skills as far as possible, with little time for international exchange on any meaningful basis. In the face of rising aspirations, however, for a better living and working environment, the trading of building products and expertise and growth of international activity has become more desirable and necessary.

International oil companies. Two atmospheric distillation units producing 160,000 and 200,000 bsd respectively (total 18 million tons per year), nine processing units and a storage tank capacity of 3 million cu.m. make up the image of a company born to enter the scene of the International Oil Market. The Company, boasting an efficient pollution control system, which is constantly improved, holds a prominent position even in the field of ecology.

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or technical sophistication of the nation involved increases, so it will be able to use higher quality standards.

Just as it will have to be accepted that the standards adopted will have to vary according to climatic or physical conditions, so must they have a variety of ranges which can be applied to particular building types, for example, schools and hospitals. Much work is, of course, already being carried out in all these fields but it is important that Europe has an agreed framework on which the industry's requirements can be built.

### Growth in trade

Harmonisation will certainly be required if the industry's growth in trade is to be stimulated. In spelling out what is exactly meant by harmonisation, Mr. Channon said recently that it should not be concerning itself with the legal forms in which building regulations are enshrined or how they are administered. Quite apart from any economic and political difference between countries, he added, these aspects were a reflection of the administrative pattern and the whole social fabric and history of each country. It was "unrealistic and unnecessary" that they should be harmonised at the present stage in European development.

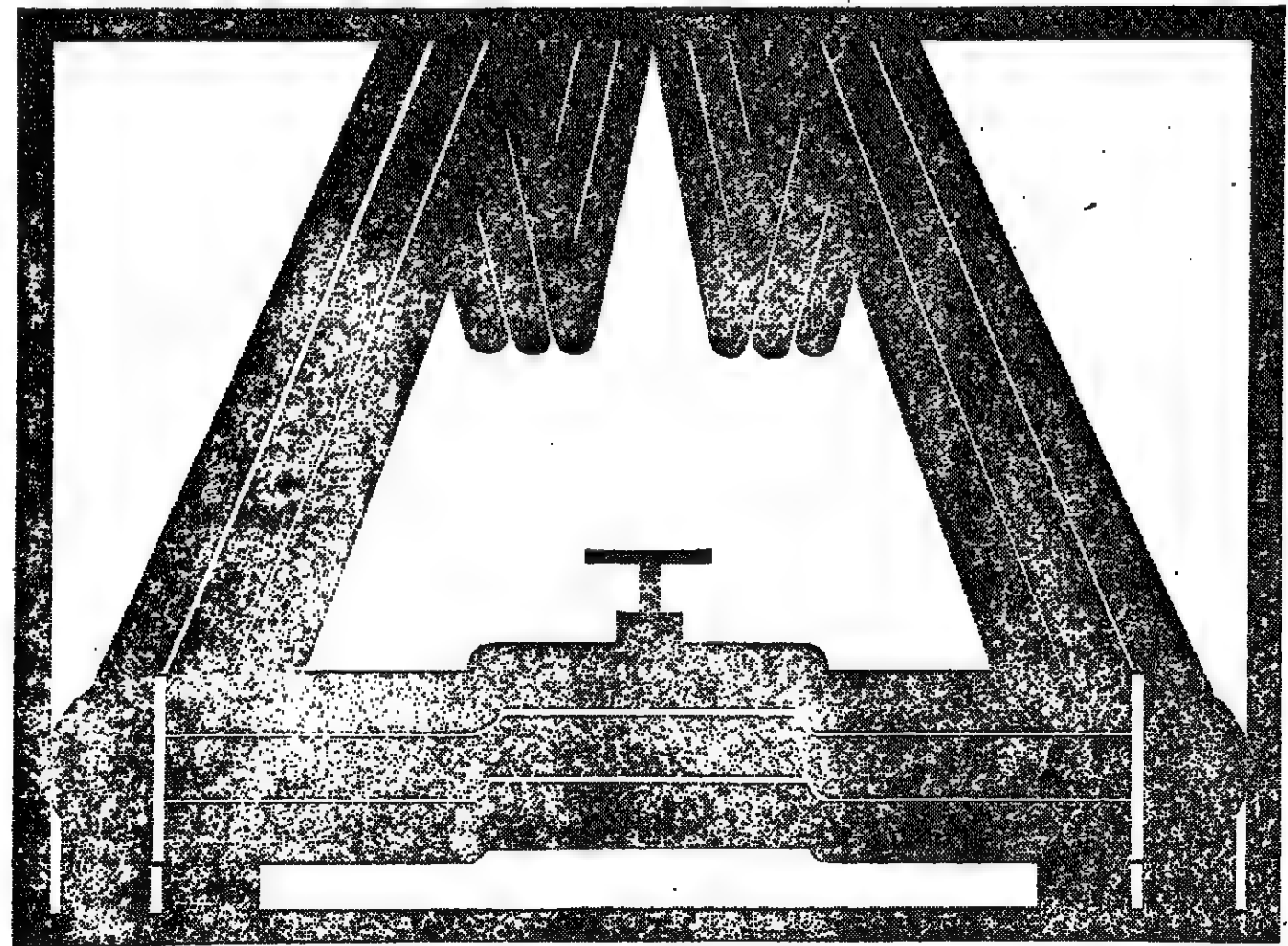
Nor, of course, is it suggested that building all over Europe should become identical. What has to be tackled, the Minister went on to say, was the job of eliminating the arbitrary, irrational and unnecessary technical differences which did exist. These were differences which made identical functions more expensive to perform in one country, than another or

which made it difficult or impossible for manufacturers from different countries to compete on equal terms.

For the time being, it has to be recognised that standards vary quite considerably from nation to nation and will various organisations are attempting to change the situation, it seems unrealistic to expect final agreement through out Europe within the foreseeable future.

While the U.K. construction industry and its associated professions have a great deal to offer in Europe, there have been fears that in far too many cases European involvement at any cost has been the order of the day. Many developers are basically ill-equipped to manage projects overseas and in some cases there are indications that the general commercial conditions and terms under which business is being undertaken does not give credit to the expertise which is known to exist. Prospects for the professional consultant—from the consulting engineer and the architect to the quantity surveyor—must be good but it would be wrong to assume that there are not major problems to be overcome. It will take a great deal of time, and training to reach the state of understanding and communication necessary for international co-operation.

At the same time, there is a danger in attempting to think too completely as European. While during the formation of a new community, contributions are required from all participants towards the eventual fabric of techniques and methods adopted, there are purely British as well as European methods which should be avoided.



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## OIL AND GAS

## EUROPE XXVII

## A painful energy dependence

ADRIAN HAMILTON

Anyone had doubted the oil dependence on oil in the energy field, the latest Middle East must have brutally demonstrated his illusions. In the summer of 1973, the actions of a couple of months, on by the Arab oil producers restrict production by some per cent against September demand, has caused every drastic measure to restrict demand, has caused them to reconsider their whole ideas economic growth and employment over the next year if not over the next decade, has caused a host of profound and recently disturbing questions over the future of the energy.

The development is particularly painful for Europe—the first single oil-importing area in the world and the one, in my view, the least equipped in terms of political and financial strength to deal with the situation.

The speed at which this development towards greater dependence on oil has taken place is in many ways remarkable. A little more than a decade ago, in 1960, coal provided some 60 per cent of many energy requirements in EC Europe, with oil accounting for nearly one-third with 8 per cent and natural gas and hydroelectricity accounting for most of the rest. By the end of the decade, when total energy consumption virtually doubled, coal's share had sunk to less than 30 per cent, while oil's share of oil and gas had risen to almost 60 per cent, and natural gas to 10 per cent, respectively.

## The future

Looking to the future, this dependence of hydrocarbons on Europe's energy patterns seems unlikely to change much, at least in the short-term. The large in circumstances and the decision of considerable funds to do something to buttress the position of coal in the U.K. and in Germany at least. But in other countries like Belgium, France and the Netherlands, the reliance would seem almost irreversible and, even assuming some increase in imports from East Europe, Australia and the U.S., it seems unlikely that coal can do much more than hold its volume output and continue to

lose share. Nuclear power holds more promise, but any new investments made from now on are unlikely to affect the position before the next decade. Equally, the actions of consumer governments may well—

in fact almost certainly will—reduce the rate of growth in demand through conservation, restrictions on use and greater efficiency. But here again there are limitations on time and political will. On almost every account, therefore, it would seem likely that hydrocarbons will have to carry the major burden of meeting European energy demand until well into the eighties, at least.

## Gloomy scene

Yet, in accepting this, the outlook is still far from totally gloomy. The North Sea and the major on-shore gas discoveries in Groningen have provided the area with its first really substantial indigenous reserves of hydrocarbons. While there may be doubts about how great their contribution to the overall needs of Europe may be, there can be little doubt that they will do much to carry some of the weight of the growth in demand in the latter part of the decade as well as possibly relieving some of the current rate of dependence on imports early in the next decade as well.

It is gas, a relatively ignored fuel in all the discussions about energy, which in many ways provides spot on the immediate European fuels horizon. The last few years has already seen a substantial growth in gas's shares in the European primary energy cake, partly because of the dramatic and still continuing expansion in output from the huge Groningen field in Holland and partly because of the build-up in deliveries from the southern sector of the U.K. North Sea.

While recent re-evaluation of the producing potential of the Groningen field have substantially reduced the planned level of annual output from the field, production is still on the upward climb with an increasing proportion of it going for export. Prospects in the North Sea meanwhile have been greatly enhanced by discoveries in the northern sectors. A major deal to pipe Ekofisk gas to the Continent has been agreed with the Phillips group

in Norway while the large Anglo-Norwegian gas field of Frigg has been contracted to the British Gas Corporation. By 1975, output from the North Sea should have risen to about 5,000m. cubic feet per day while by 1980 this figure may well have doubled to 10,000-12,000m. cubic feet per day.

Added to this, European countries have been negotiating to take very substantial amounts of Russian, North African and, more recently, Iranian gas imports over the next decade. Agreements for the importation of Russian gas already involve the eventual supply of some 2,000m. cubic feet per day with more in prospect. Liquefied natural gas deals for Algerian gas amount to as much again, with the possibility of substantial further volumes especially if an undersea pipeline should be built from Algeria to France, while Libyan imports are expected to reach about 500m. cubic feet per day by the middle of the decade.

All in all, therefore, natural gas supplies to Western Europe could well amount to some 30,000m. cubic feet per day by the end of the decade, compared with some 8,000m. cubic feet per day at present, with some 15-20 per cent coming in the form of imports. Assuming some restriction on the rate of growth in energy demand over the rest of this decade and some stabilisation of the coal picture, this could mean an increase in the contribution of natural gas to Europe's overall energy requirements from around 9 per cent at present to as much as 18 per cent by the end of the decade and possibly over 20 per cent by the mid-eighties.

This still leaves oil with carrying the major burden of European energy demand for the next 15 years at least, increasing its share of the energy to over 60 per cent by 1980. And here the main hope must be the North Sea and the European off-shore. Exploration in these areas is still at an early state, but already the North Sea at least has been proved a major oil province with proven recoverable reserves of around 12-13,000m. barrels of high quality oil. With much of the off-shore acreage in Norway, current estimates

still to be tested, particularly suggest that the North Sea could be producing as much as 3-4m. barrels a-day by the end of the decade and as much as 6-8m. barrels a-day or more by the mid-eighties.

These kinds of figures—which still have to be fully proved in practice—may not provide the final answer to Europe's dependence on oil. Nor is the North Sea and other off-shore areas without their problems. Potentially severe conflicts have already arisen between the EEC and countries like the U.K. and Norway about the degree to which the finds should be treated as a European rather than national asset and developed as such. The technological problems of producing from the deep waters and rough weather

conditions of the waters of North-Western Europe have yet to be fully solved and delays in construction of the producing facilities have tended to constantly put forward scheduled start-up dates.

## Hard problems

But to dismiss the off-shore potential as a mere drop in the bucket as far as European needs are concerned—as some have done—would be unnecessarily pessimistic. At the very least, North Sea production can take on a substantial part of the growth in oil demand in Europe. If exploration over the future proves as successful as it is at the moment and if Europe can curb the growth in demand and put new blood into alternative fuels, then the North Sea could

do more—accounting for perhaps as much as 18-20 per cent of oil demand by 1980 and as much as 25 per cent or more of oil consumption in Europe in the mid-eighties.

The hard problems raised by continued dependence on imported oil for over 40 per cent and probably nearer 50 per cent of Europe's overall energy requirements will remain and grow as international competition for available supplies and Arab restrictions on production act to reduce supplies and increase prices. But the North Sea has provided the area with its first real hope of developing substantial indigenous oil flows of its own. At this time, that is something to be profoundly grateful for.

restructuring of the British industry inherent in the GEC-AEI-English Electric mergers, was smiled upon by the Government and its agencies. It remains to be seen whether Thomson is justified in its optimism that the French telecommunications administration will welcome the emergence of a further major supplier alongside CGE's CIT-Alcatel and Ericsson (which are now co-operating on development) and the two powerful subsidiaries of IIT.

The wish to participate in the rapidly growing telecommunications market was Thomson's major reason for refusing to renew the agreement though discord over the running of CIT, the computer company, also played its part. If the rupture is not repaired at the behest of the French authorities—this would not be easy, since the heads of the two companies are not the best of friends—the country's market for telephone equipment could become increasingly competitive.

Whether CGE would try to break into the consumer durable market is uncertain—for one thing, a suitable vehicle would be hard to find, providing that Moulinex does not come up for sale—and a re-entry by Thomson into the heavy sectors is also unlikely.

Electricité de France, the monopoly state customer for power equipment, has already given the nod that it wants only two suppliers of most machines. Alstom (controlled by CGE) and CEM (part of the multinational Brown Boveri group). The joker in the pack, as it has been for the past few years, is Jeumont-Schneider. Since the collapse of the CEM deal and recently of the Merlin Gerin alternative, the company's future as a major supplier of power equipment has seemed in doubt, but the ripples of the Thomson-CGE split could bring about a rapid demouement.

Other purely French developments have been less dramatic, but may be equally significant in pointing the way to the industry's future structure. Chief of these is perhaps the decision of Alstom and CEM to co-operate on large transformers.

The events of the past few weeks could cause complications in the ownership of CIT, which is already involved up to the hilt in its trail-blazing joint venture with Siemens and Philips. The internal problems facing the new "Unidata" grouping have now been recognised by the European Commission as probably precluding any further additions to the club for a year or two. In the

meantime ICL will soldier on alone, and the computer industry's best-known "whizz-kid," Heinz Nixdorf, will attempt to heat the AEG computer inter-

ests into shape. As in France, telecommunications seem likely to become a battleground in Britain now that Thorn has declared its intention of trying to become a major telecommunications supplier in partnership with Ericsson, which sees the U.K. as the only major Common Market country where it still has a chance of gaining a strong foothold (Germany is comfortably divided between Siemens, several AEG interests, and the IIT subsidiary, though IBM is being allowed a limited look-in).

## Threatening clouds

The German industry, which has played little part in this year's manoeuvring, has concentrated much of its attention on the search for manufacturing sites in countries with lower costs, burgeoning markets and—if possible—currencies which are weaker than the D-mark. Siemens, AEG and Robert Bosch are all looking for new hunting grounds, while Grundig last week confirmed its intention (first revealed in the Financial Times last April) of expanding its facilities in Ulster.

This trend could be slowed by the threatening clouds on the economic horizon of the entire western world, but once, the worst is over, the pace of foreign investment should revive, as the Bonn Government is unlikely to return to its old policy of permitting an unchecked inflow of foreign workers, which has become a major factor behind the growing strain on society and the economic resources of German local authorities.

The intervention of outsiders is likely to play a considerable part in the shifting structure of the European electrical and electronics industries. The invasion by Japanese consumer electronics and American micro-electronics interests could prompt a series of co-operative deals both between the Europeans and with the invaders. In the power engineering business, American involvement is becoming a significant catalyst.

The process would have been speeded if Rayrolle Parsons had proved sufficiently attractive to Westinghouse as a takeover proposition, but in the meantime the nuclear industry has emerged as a more likely vehicle, since the purchase by Britain's new National Nuclear Corporation of GE or Westinghouse technology would bring it closer to the US giants' other European associates.

## THE ELECTRICAL INDUSTRY

## A changing scene on all fronts

By CHRISTOPHER LORENZ

The seemingly staid electrical engineering industry is in a state of flux. On the one hand some of the old restrictive trading arrangements are beginning to crumble or come under attack, and on the other a note of Europeanism is beginning to creep into not only the newer sectors—such as computers—but also longer-established ones such as telecommunications and power engineering.

The biggest upsets are coming in telecommunications, still heavily controlled by the mentality of not the practice of the traditional "rings." But quiet changes are also taking place in the transformer business, and cross-frontier co-operation is beginning to flourish in other sectors of power engineering industry. In an engineering could be given a boost next year in the wake of nuclear developments.

In the consumer sector, two established and troubled giants, AEG and Zanussi, have finally gone to the altar after years of intermittent courtship, bringing the Italian appliance industry under a still greater measure of foreign control. The threat of zero or minus-growth in Europe next year could revive the pressure to restrict Japanese imports and add another twist to the forces of protectionism. Behind all this, the French industry continues its majestic feat of narrowing the gap with the powerful Germans, who are

## Smiled upon

The most spectacular examples of the changing scene have been in France. Only two weeks ago it emerged that the country's two major electrical engineering groups were to end the four-year-old pact under which one, Thomson-Brandt, concentrated on electronic equipment, computers and domestic appliances while the other, Compagnie Générale d'Electricité, held sway over the heavy end (telecommunications and power engineering).

The agreement, which was France's answer to the massive

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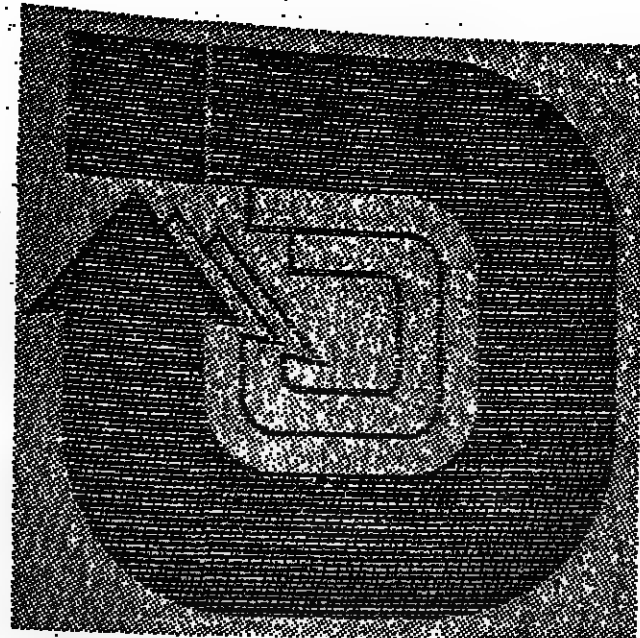


## SHIPPING AND SHIPBUILDING

EUROPE XXVII

## Great diversity of interest

By JAMES McDONALD, Shipping Correspondent



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With the enlargement of the European Economic Community the combined merchant fleets of the member countries have doubled in size. Last year the total tonnage of the fleets registered under the flags of the Six was about 28m. gross tons, representing around 11 per cent. of the world merchant fleet. The addition of Britain's fleet of 28m. tons, together with about 4m. tons brought in by Denmark and the Irish Republic has raised the total to 61m. tons—24 per cent. of the world gross tonnage.

This gives the enlarged EEC countries the most significant combined merchant fleet in the world, leaving aside the "flag of convenience" nations of Panama and Liberia, etc. Moreover, if Norway had decided to join the Community this would have added a further 23m. gross tons.

## Common policy

But, despite the size of the "EEC fleet" there is at present no common policy on sea transport, although there is provision in the Treaty of Rome for making common rules applicable to sea transport. The Six did not consider this necessary because most of its tonnage was engaged in trade with countries outside the Community and in the enlarged "Nine," although two of the three new members are separated from the Continental members by sea, these considerations still very largely apply.

The British Government certainly sees no need for early activation of Article 84(2) of the Treaty to create common rules because there is already broadly a long-standing common approach by the governments and by the shipping industries involved to merchant shipping matters, extending not only to economic but also to safety aspects.

On the industry side the Committee of European National Shipowners Association (CENSA) has been in operation for over eight years and has a common policy on such important subjects to traditional shipowning nations as the code of conference practices—which has been discussed during the meeting in Geneva by the Conference of Plenipotentiaries of the United Nations Conference on flag discrimination and freedom of the seas for common carriers.

The UNCTAD conference

ended this week-end with an expected "package" statement indicating still a basic disagreement between Group B, the developed countries, and the Group of 77 (the developing countries) over a code of conference line practices. In effect the point of contention is the role of Governments in shipping conferences, with Group B—including the EEC members—seeking as little governmental interference as possible and the Group of 77 demanding considerable governmental control over their operations.

Another conference is expected to be called next year. The developing nations are demanding that cargo trade between nations should be allocated on a largely bilateral basis—40 per cent. to the flags of each country involved in the trade and 20 per cent. to third-party "outsiders." This would have a drastic effect on such "common carriers" as the British and Scandinavian merchant fleets, which are involved considerably in the "cross trades"—trades between countries other than Britain or Norway.

Shipping fleets of the EEC countries vary considerably in size and composition. The British fleet of 28m. tons is the third largest in the world, after Japan and Liberia, and is divided in roughly equal proportions between tankers and other vessels—predominantly

cargo liners on scheduled services and bulk carriers. The next largest fleet in the Community, that of West Germany, totals 8.2m. tons and consists mainly of ships other than oil tankers. France, Italy, the Netherlands and Denmark have fairly large fleets but those of Ireland and Belgium are small.

## Cargo fleet

In the same way the shipping interests of the member states also vary. With one of the world's largest fleets of general cargo ships the U.K. is largely engaged not only in direct trades with British ports but also in the "cross trades." The "cross trades" in fact, account for about one-third of the gross earnings from the U.K. general cargo fleet. These trades also are important to Denmark and the Netherlands, but the French and German fleets are tied primarily to their respective national trades.

While there is this great diversity of shipping interest among the members of the enlarged Community, the absence of any clearly defined EEC role in sea transport does not mean that the members of the "Nine" disagree on major questions of shipping policy. Their traditional shipping industries operate across the world, carrying the imports and exports of every country, and they all have an interest in keeping the world

trade routes "free."

The U.K. Department of Trade and Industry says: "It has long been our view that the industry is at its most efficient when it can carry on its daily business free from interference by individual Governments, whose interests will rarely coincide exactly with those of other Governments along the world's trade routes. This view is broadly shared by the other members of the Nine, although they may have different interpretations of how such an open seas policy can best be achieved."

While this industry "common front" exists, alongside it are international bodies at Governmental level which already serve to co-ordinate the maritime interests of EEC countries. These include: the Consultative Shipping Group (12 West European countries and Japan); the Maritime Transport Committee of the OECD, which includes the U.S. Canada, Australia and New Zealand; and the United Nations Inter-Governmental Maritime Consultative Organisation.

The U.K. Government believes that, for shipping the most immediate effect of entry into EEC will probably be in the specialised areas of the short sea trade routes between Britain and the Continent.

As the common policies of the Nine outside the shipping

field begin to bear fruit, one may expect a considerable expansion in seaborne trade on these routes which will be accompanied by further expansion in the carriage of passengers and their vehicles," says the DTI.

In the shipbuilding sector of the new EEC there is no common policy as yet, possibly because the state of world orders over the past year has driven the problems of competition into the background. Even the most inefficient yards within the new Community—and this includes one or two British shipyards—have order books stretching out to 1977.

## Current crisis

Whether the current energy and oil crisis may accelerate or hold back a common policy is in doubt. At the end of last month the Brussels Commission plans for revitalising the Market's shipbuilding industry, together with proposals for new limits on State aid to shipyards ran into serious objections from member governments. The Commission has now accepted that decisions on the proposals will not be taken by the end of this year, as originally proposed.

France, for example, has attacked the Commission's plans for failing to take into account the real problems facing the European shipbuilding industry. Before any decision is made, years.

says France, there should be analysis of world shipping trends, relations with Japan, assessment of supply and demand inside the Community a possibilities of closer co-operation between European shipyards.

Britain also has reservations about a number of the Commission's recommendations: limiting state aid under a proposed directive. The U.K. does not like the idea of permitting investment aids. Commission scrutiny and approval of recommendations for limiting interest rate subsidies would discriminate against countries like Britain which have high interest rates.

The Commission's proposals for next year is that construction subsidies for ships should be limited to no more than 5 per cent. of the order price, that this figure would be reduced to 4 per cent. for ships ordered in 1975. After that of the Commission would be new recommendations. At the same time, restrictions would be placed on interest rate subsidies granted on the sale of ships, a subsidy of any investment of over £1.7m. would have to be notified in advance to Brussels. The aim would be to steer investment into projects which would make the Community internationally competitive. The Commission's overall plan to revitalise European shipbuilding within the next few years.

## IRON AND STEEL

## Output at record, but doubts ahead

By HAROLD BOLTER, Industrial Editor

European iron and steel production will reach record levels this year, despite the effects of the energy crisis which are now being felt, particularly in the U.K. During the first ten months of the year output rose by an average of over 7 per cent. in the major producing countries and although the year-

end figure may be lower than this there will still be a worthwhile increase.

Until the last few weeks most steelmakers in Europe had assumed that the boom in demand would continue until at least the middle of next year. Now, however, mainly because of the indirect impact which the energy situation is having on European economies rather than on steelmaking as such, there is considerable uncertainty.

For much of this year there have been widespread shortages of steel, even though manufacturers have raised production substantially and there still appears to be a large area of unsatisfied demand. Just how long this situation can go on remains to be seen, however.

## Falling off

In the U.K. steel production in the first 10 months of this year totalled 22,355,000 tonnes, compared with 20,929,000 tonnes in the same period of last year, a rise of 7.3 per cent. But because there was some falling off in November and further output reductions this month, it now appears unlikely that the private and public sector producers together will produce the 28m. tonnes of steel they had hoped for this year, which would have been 4m. tonnes more than in 1972.

Part of the anticipated shortfall can be explained by disputes within the British Steel Corporation. Strikes in its general steel and strip mills divisions at the start of the year led to losses of 500,000 tonnes and 250,000 tonnes of steel respectively at the start of the year and a number of smaller disputes, largely unpublicised, are expected to bring the Corporation's total output losses because of disputes up to 1m. tonnes by the end of 1973.

This month, of course, iron and steel production in the U.K. has been hit by disputes in the coal and rail industries. Coking coal supplies have been cut by more than a third, and by the end of this week steel production throughout the country is expected to be running at no more than 50 per cent. of normal levels, which would mean the loss of around 1.25m. tonnes of steel in December.

The other countries of Europe, affected only by oil shortages, are expected to keep their output rates well up this month, on the other hand. The biggest single production rise, averaging 13.1 per cent. over the first 10 months of this year, has been recorded in West Germany. Crude steel production amounted 41,164,000 tonnes in this period and the confident forecast made by producers in the summer that they should achieve an all-time record of around 48m. tonnes this year looks just possible. They will certainly come close to the target.

There is some concern over

the medium-term prospects among West German steelmakers, however. The main reasons for this are that exchange rates tend to benefit some of their important competitors, such as the U.S., Britain, Japan and Italy and that they are paying high prices for coking coal. The differences between the West German and world price of coking coal is only partly covered by Government subsidies.

One effect of the currency changes is that there has been a sharp rise in comparative wage costs. Steel industry wage costs in Italy, for example, are only half those in West Germany, those of France were about 70 per cent., and Britain 80 per cent.

In France steel production in the first 10 months of the year amounted to 20,739,000 tonnes, an increase of 4.3 per cent. on the same period of 1972. Here again, there appears to be every chance that producers will achieve an output figure for the year above last year's total of 24m. tonnes.

Of the other big producers in Europe, Belgium, with an output total of 12,718,000 tonnes in the first 10 months of the year, was on much the same expansion track as the U.K., registering an increase of 7 per cent. The

Continued on next page

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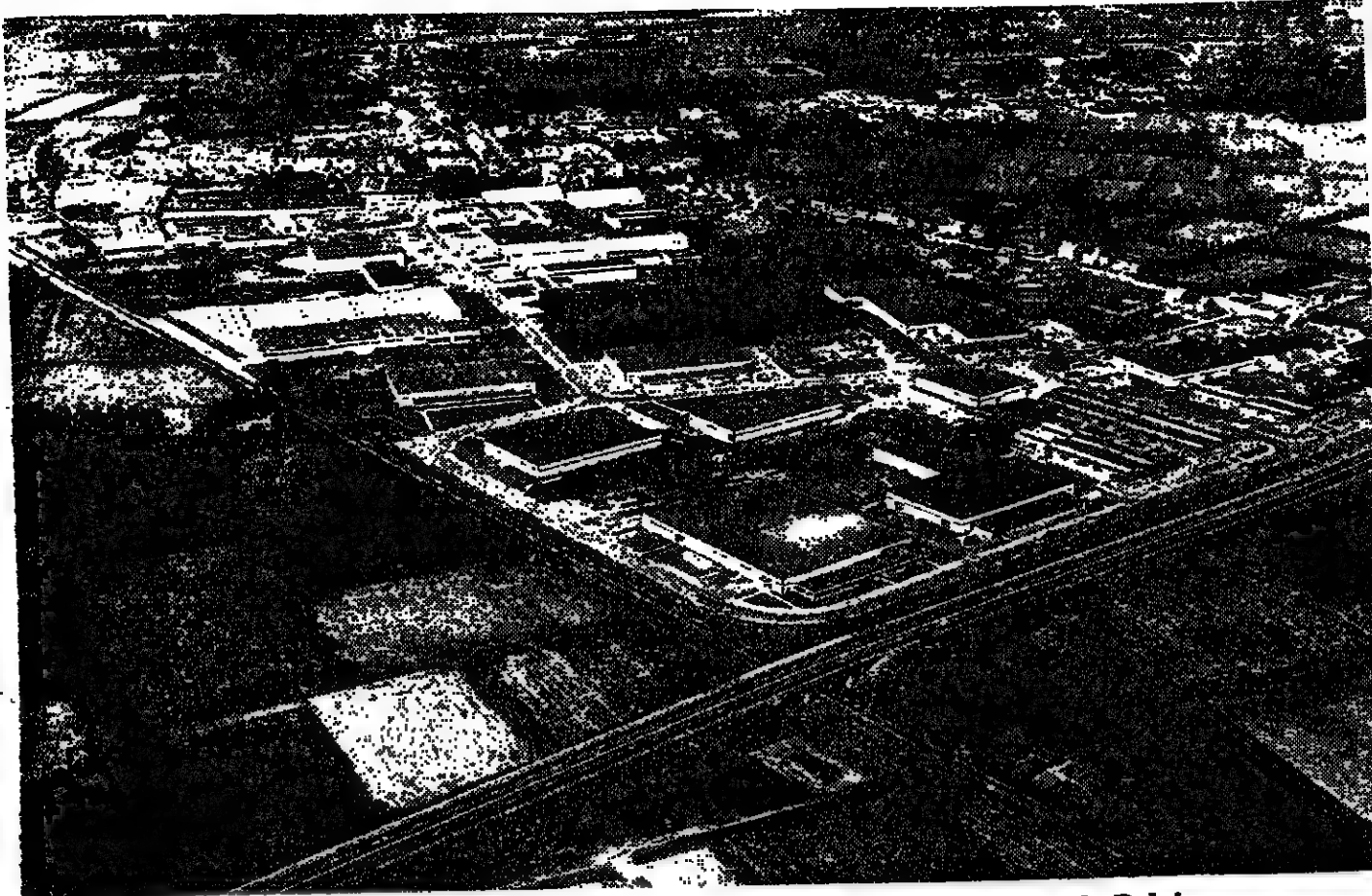
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PROPERTY

EUROPE XXIX



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# Big increases in overseas investment

By PETER RIDDELL, Property Correspondent

The increasingly international nature of the property markets in the main European countries has been underlined over the last 12 months large expansion programmes on the Continent have been announced by MEPC, St. Martins, Artagen and Amalgamated Investment. Some of these are new entrants to the Continental property scene but others have considerably expanded their programmes.

## Higher yields

The most significant recent trend, however, has been the increasing institutional interest, from insurance companies, pension funds and property bonds. The higher yields and apparently good growth prospects in many Continental cities have attracted a number of funds to look at the situation there, but until recently the level of investment was comparatively small. This is partly because many funds have not found anything which fits with the tight criteria upon which they insist. However, the situation is now changing as the institutions become more familiar with the various property markets and also become accustomed to the different forms of leases.

In particular the three-year break clauses and the co-prior system ("flying freeholds"). Among the most active institutions at present are the large insurance companies such as Commercial Union and Norwich Union and certain pension funds like those of ICI and Unilever, while various funds associated with the joint stock banks are also involved in certain consortia schemes. The property bond activity is illustrated by the sales by Abbey Life, Property Growth Assurance, Save and Prosper and Irish Life. The problem the smaller funds face is that management time and technical and tax problems make investment on an individual basis hardly worthwhile. This explains the ready support among the smaller funds for new funds such as EUPIC, launched under the auspices of Morgan Grenfell in the U.K., and the new Property Unit ended to be thinned down to the house actually interested on the Continent. This has been underlined by the increasing competition and drop in investment and development returns. While the rise in interest rates and credit restrictions in most European countries has ended to act as a further brake. This has, however, meant only that the rate of expansion has fallen, while there is still a comparatively high level of overall investment — certainly compared with the period before early 1972.

## Serious basis

Another factor is that the initial burst of enthusiasm has tended to wear off slightly as the numerous companies which went over for a "look" at the various local markets have ended to be thinned down to the house actually interested on the Continent. This has been underlined by the increasing competition and drop in investment and development returns. While the rise in interest rates and credit restrictions in most European countries has ended to act as a further brake. This has, however, meant only that the rate of expansion has fallen, while there is still a comparatively high level of overall investment — certainly compared with the period before early 1972.

tration on office development are already active. For example, and investment only to include in Holland several companies and other property activities. The most striking change here has been the increasing interest in speculative industrial development. Up till now the tradition has been for industrialists to own their premises but, as with the office sector a couple of years ago, a letting market has been beginning to emerge recently in the industrial sector.

This has occurred first in France where a number of schemes around Paris have been letting very quickly, which is being taken as a sign of a large pent-up demand from local French companies for, in particular, warehousing space. The next in line is Belgium and several projects are now coming out of the ground near Brussels although it is too early yet to say what type of demand there will be for rented space.

The gradual acceptance of renting in areas where it has previously been unfamiliar is one of the major results of this growing international influence in the EEC property markets. But the main unresolved question is whether local, as opposed to international, tenants will be prepared to accept the rent levels which are likely to be asked by the British developers — rents which are in some cases significantly higher than have been asked previously.

There has also been an increase in interest in shopping investments and developments, though the scope for overseas activity is much less because of the much tighter hold of local groups on the market and the power of shopkeepers' lobbies in a number of EEC countries. However, some British groups have been acquiring shop investments in prime shopping positions in certain cities — most noticeably in the Kalverstraat in Amsterdam.

But against the background of this growing scale and range of activity has been a widening of the geographical spread of investments. In part, this has meant expansion within countries where British developers

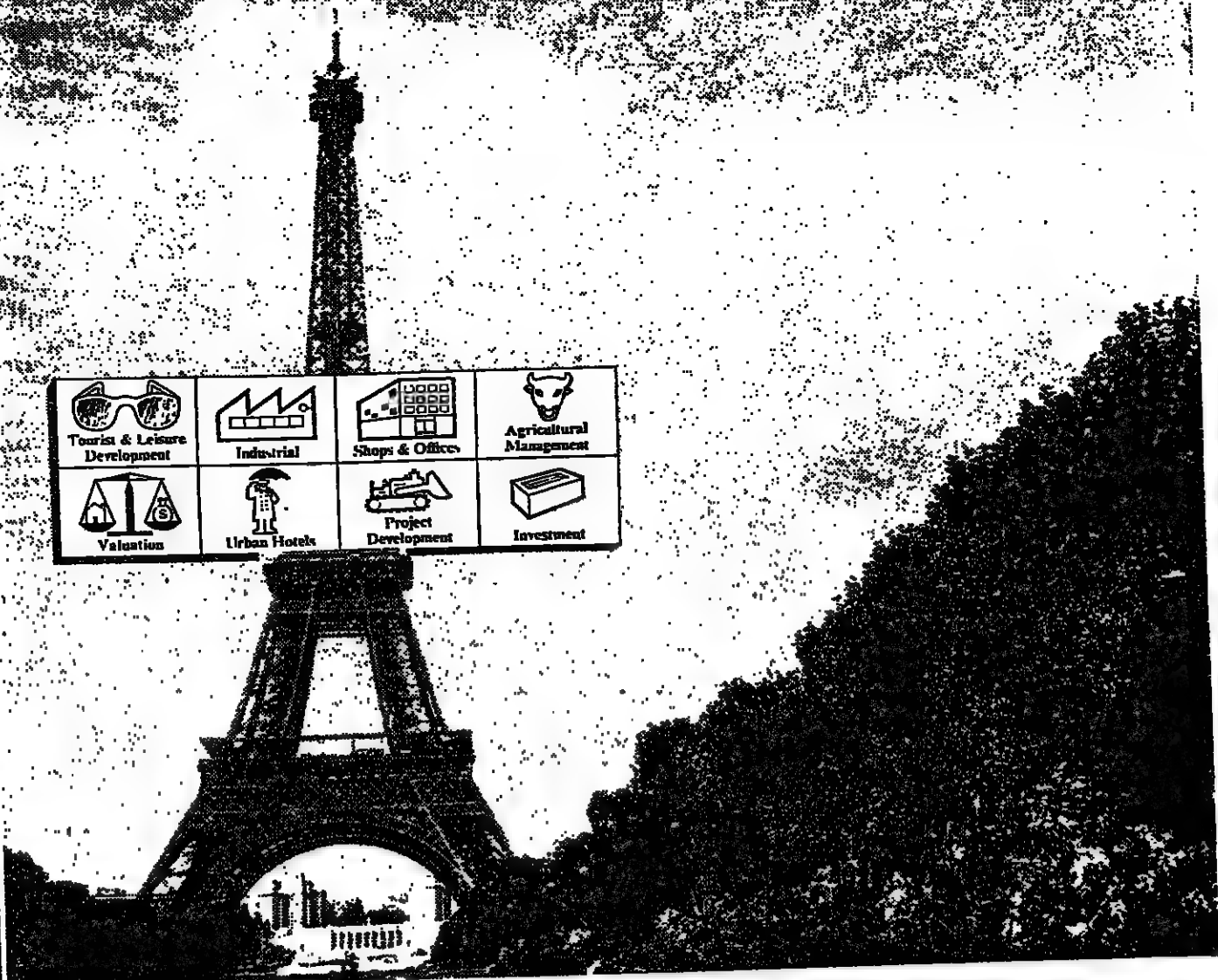
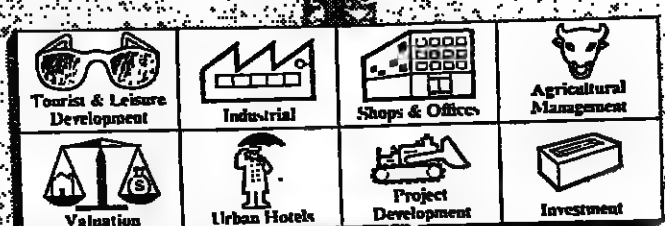
difference, however, is that this percentage rise is more likely to be sustained over the full year. In the first half of this year, was very badly affected by labour disputes, and it seemed that production might actually fall over the whole year. An improvement in recent months has led to an overall increase in production of 1.8 per cent over the first 10 months of the year, with a total of 16,924,000 tonnes produced and the full year's output should end up around 20m. tonnes.

Although relatively small tonnages of steel are produced in the other countries of Europe (Spain, with a 10-month output total of 3,740,000 tonnes, a rise of 12.6 per cent, is coming up fast, nevertheless), all of them with the exception of Denmark look likely to raise production over the whole year.

For most of this year demand for steel world-wide has been so strong that there has been little competition between producers. Steelmakers have also been able to take advantage of the opportunity to raise prices to more economic levels, even the U.K., although the British Steel Corporation would have liked something more than the 11 per cent rise brought in last month.

Because of the strong demand exports between countries have tended to slacken, and where overseas supplies have been made available premium prices have been asked and obtained. It is clear, however, that if economies do turn down early next year competition will intensify among the European steelmakers. In this situation, the U.K. producers, still producing cheaper steel than most Continental competitors, could still have an edge.

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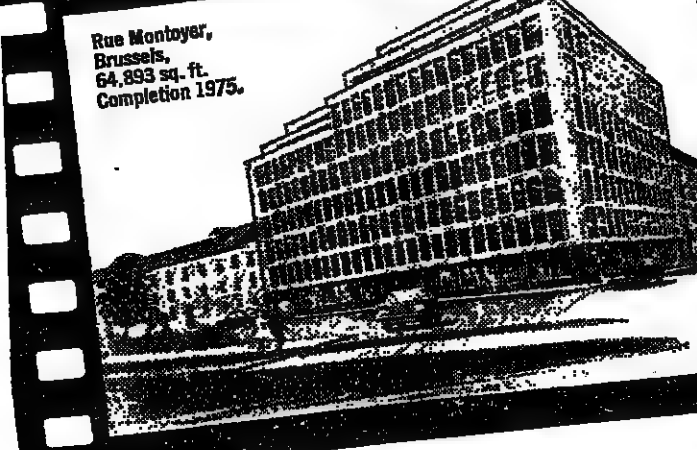
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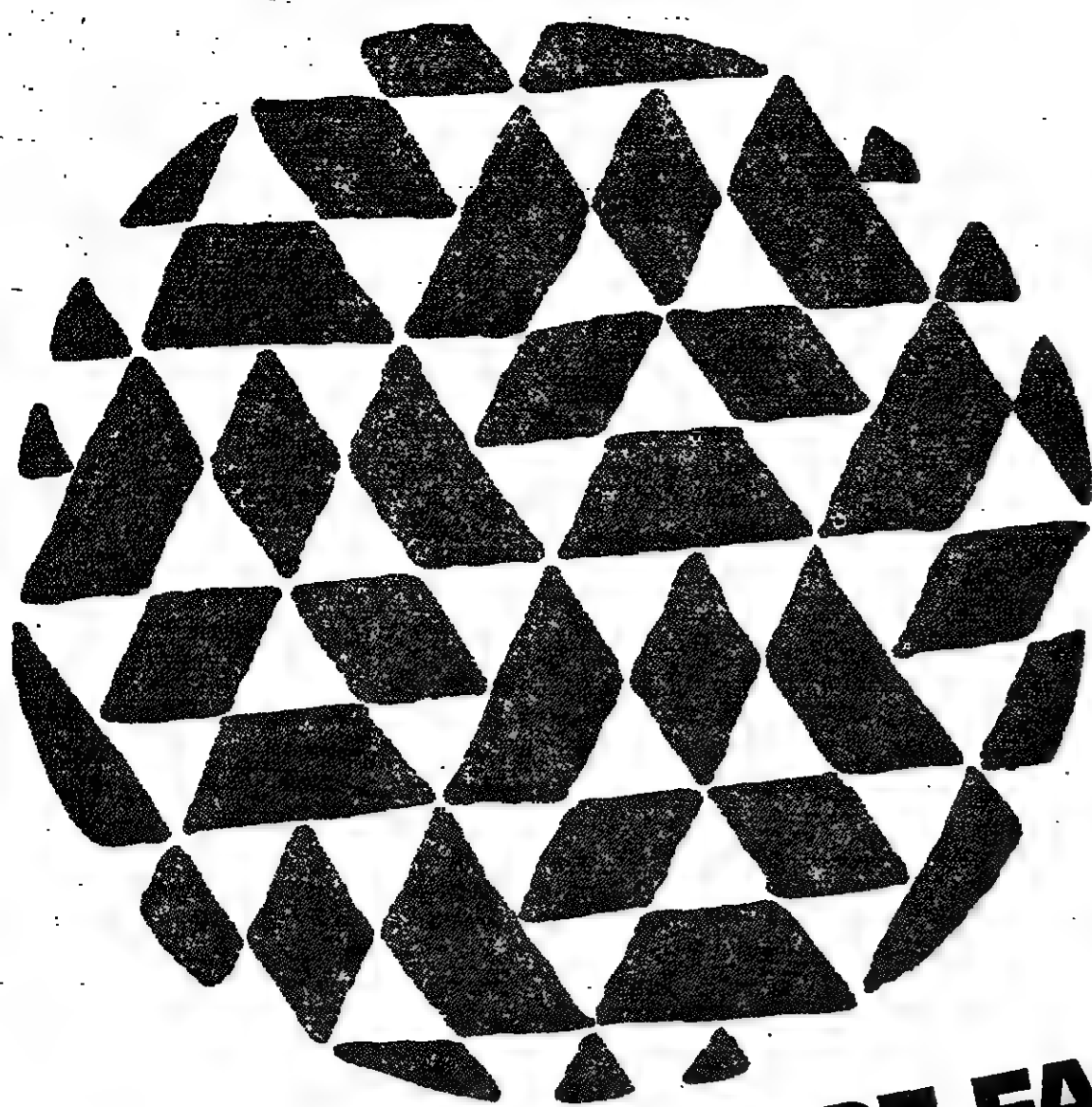
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## FREIGHT TRANSPORT

## EUROPE XX

# Struggle to achieve a common policy

By COLIN JONES

The Community's relatively slow progress towards establishing a common policy for transport contrasts sharply with the importance the founding fathers evidently attached to the issue 16 years ago. Only three common policies—agriculture, external commerce, and transport—are mentioned in the Treaty of Rome, and only two—agriculture and transport—are honoured with a separate title.

It used to be said that transport was one of the "foundations" of the Common Market. The Six felt that agriculture was sufficiently important to warrant being treated separately from the general provisions concerning the free movement of goods. Likewise, it was thought that transport should be separated from other services, although it was not exonerated from observing the general objective of freedom of movement for the service sector.

It is a foundation that has never to be built, however. The agricultural policy may not suit all tastes but at least the Community can claim that it has one, which is more than can be said about transport.

True, a variety of measures have now been adopted. Discontinuation in transport fares and charges has been banned. A modicum of liberalisation has

been injected into the movement of freight across frontiers by road. A set of common rules has been introduced governing working conditions in road transport. And, among sundry other matters, an attempt has been made to harmonise the way Member States compensate their railway systems for the public service obligations they bear.

But by no stretch of the imagination can these measures be said to add up to a comprehensive common policy. Indeed, the "compartmentalisation" of national transport policies has been increased, rather than reduced, since the Community was created.

Part of the trouble, admittedly, lies in the extensive and diverse nature of existing national policies for transport. Every Government is involved in decisions about the location, financing, and the layout of new roads, railways, canals, or airways. They are all wanted to lay down standards about safety, noise, pollution, and so forth. And most Governments exercise an influence of some kind over transport fares and charges, determine the conditions of competition between and within the various modes of transport, and impose obligations on different types of

carrier. On the Continent, the tradition of State intervention goes back some way. Because the railway systems were largely built with Government—rather than private—capital, they have always been regarded more as instruments of public policy than as free-standing commercial ventures and, when road haulage first emerged as a potential major rival, they were always given a much greater deal of protection than was ever attempted, or even envisaged, in Britain.

The facts of geography have also encouraged an interventionist bias on the part of Governments. Long land frontiers meant that new railways could serve military purposes, and that transport charges could promote national trade objectives by incorporating a structure of steeply tapering rates which penalised imports and aided exports. At the same time, national carriers by rail, road, canal or river—including Rhine shipping—needed to be protected from competition from the same or other modes from across the border.

All these factors meant that when the Common Market was started up, there was a highly complex background of national transport policies differing widely both in extent and detail. Up to a point, the could also be said about national systems of agricultural support, whereas the Six eventually able to muster effort to thrash out a single set of common policies, they never quite able to sum up the same degree of political over transport.

True, they managed to a on the so-called "mini programme" of 1967-68, after French had ended their attempt to pioneer Schumanism in 1961 outlined the sible scope of a common t port policy.

But not even this pact deal has yet been fully imented. The Council has m adopted, as the Commi recently remarked, "partial intervals from the Commis proposals." The Commi needs instead, "the Commi went on to argue, "to work an overall approach enable in respond, in the medium long terms, to the requirem of a society and an econ which are in the midst of found change."

This is the task to which Commission has now set hand. The October 1972 summit meeting in Paris the Community's enlarged last January provide the op tunity, the Commission is ing, for a renewed attempt push forward towards a com policy on transport. The i outlined in a Commission cussion paper for the Council meeting of Trans Ministers in November were, some respects still some sketchily worked out, as Commission would itself be first to admit. But the b idea is to broaden the appro while at the same time ret ing some of the Commis earlier ideas.

In essence, this means plac somewhat less emphasis u trying to get harmonisation detail all the way down line. Wholesale alignment national regimes for trans poses too many difficult, raises too many political set livities, and is thus not likely to succeed. Instead, Commission would prefer to concentrate on certain asp where it feels there is an opportunity and a need Imperial starts with the advan tages of its broad base, financial strength, and domination of the cigarette market, while Gallaher is armed with the muscle of its U.S. parent company American Brands.

Continued on next page

## THE TOBACCO INDUSTRY

# Little agreement within the EEC

By SANDY McLACHLAN

Harmonisation problems be- duty tends to imply a fixed retail price, but it is unlikely that the U.K. government would be prepared to return to a system of retail price maintenance for cigarettes and tobacco even although it exists in the other EEC countries. Unless some compromise is reached on this issue it could lead to a situation where the U.K. manufacturers are subject to price competition in their home market without the opportunity to retaliate in other markets.

Both the French and Italian monopolies have come under fire from the EEC Commission for practices which are out of line with the Treaty of Rome, and both have agreed to abandon most of their monopolistic practices over a period of time. The Italian monopoly has already been weakened to some extent through an agreement with Philip Morris, which now has its brands marketed in Italy, but the French monopoly SEITA is still firmly entrenched.

With the swing towards lighter tobaccos by French smokers (who now include an increasing number of women) the French market would be a natural place for expansion by both British and German tobacco companies—all of whom eye the French market place with some envy. Until the monopoly goes, however, there is little opportunity to break its hold since it controls distribution of all brands and has wide powers ranging down to the right to vet promotional material of other tobacco groups.

Factors such as these are the main ones interfering with competition across national boundaries in Europe for the tobacco industry, but there are other subsidiary problems which also have to be overcome. The whole theoretical foundation of the EEC rests on equality of competition between companies in different member States and to this extent fulfilment of the basic aim should involve standardisation of all official measures which affect such competition.

From this point of view tobacco is in a unique situation. Because of the revenue aspect it tends to be a touchy subject with governments, and this difficulty is compounded by the health considerations involved. For example restrictions on advertising imposed for health reasons also have the effect of inhibiting competition from new entrants to the market since they make it difficult to mount a serious challenge to established brands.

Biggest worry This is the background against which the European tobacco industry must operate over the next few years. For the U.K. companies the biggest worry is that in terms of taxation, resultant smoking habits, and marketing techniques there is a big gulf to be bridged between themselves and the original EEC members in achieving harmonisation. The situation will inevitably end in compromise, but it will be a debate which is of particular relevance to the major U.K. will also have to make concessions and they face the prospect of determined competition from

## Point at issue

The main point at issue here is the split between specific tax and ad valorem tax which varies considerably from country to country. At one end of the spectrum the U.K. relies very heavily on specific taxation, while at the other French and Italian tobacco taxation is predominantly by value.

When the duty is levelled as so much per pound as it is in the U.K. there is a tendency to use more expensive tobacco, and also to concentrate on smaller cigarettes. This accounts for the high proportion of Virginia flue-cured tobacco used by U.K. manufacturers as compared with the darker air-cured tobacco which is the mainstay of the French tobacco industry.

At the end of the day the U.K. industry hopes that the compromise solution on tax harmonisation will be no worse than a 50-50 split between specific and ad valorem taxes, but even this would have a considerable impact on the relative prices of different types of cigarette. In the U.K. king size cigarettes would become a little cheaper—hence the number of new king size brands being launched by the manufacturers—but the most noticeable change would be much increased competitiveness in the U.K. of the other European brands, such as Gauloise, which use the cheaper tobacco.

A side issue to the taxation debate which is of particular relevance to the major U.K. will also have to make concessions and they face the prospect of determined competition from

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### First City National Bank of Houston

### COMPARATIVE STATEMENT OF CONDITION

	September 30	1972
<b>Assets</b>		
Cash and Due from Banks	\$ 578,832,000	\$ 476,815,000
U.S. Government Securities	82,574,000	97,391,000
Obligations of States and Political Subdivisions	248,506,000	178,983,000
Other Securities	9,016,000	5,033,000
Money Market Investments	71,992,000	18,618,000
Federal Funds Sold	225,756,000	248,851,000
Loans	1,173,538,000	937,700,000
Bank Premises and Equipment, Net	47,069,000	47,037,000
Other Assets	32,406,000	19,341,000
<b>TOTAL ASSETS</b>	<b>\$2,469,989,000</b>	<b>\$2,497,768,000</b>
<b>Liabilities, Reserve and Capital Accounts</b>		
<b>LIABILITIES:</b>		
Demand Deposits:		
Individual, Business and Other	\$ 811,319,000	\$ 596,148,000
Banks	317,884,000	212,271,000
U.S. Government	15,475,000	32,384,000
Total Demand Deposits	844,678,000	841,003,000
Time Deposits	770,768,000	484,329,000
Deposits in Foreign Offices	187,937,000	81,620,000
Total Deposits	1,803,383,000	1,409,952,000
Federal Funds Purchased	488,385,000	492,935,000
Other Liabilities	42,837,000	32,025,000
<b>TOTAL LIABILITIES</b>	<b>2,334,605,000</b>	<b>1,934,912,000</b>
<b>RESERVE FOR LOAN LOSSES</b>	<b>12,666,000</b>	<b>7,885,000</b>
<b>CAPITAL ACCOUNTS:</b>		
Common Stock—\$10.00 Par Value, Shares Authorized and Outstanding—4,645,000 in 1973 and 4,270,000 in 1972	46,450,000	42,700,000
Surplus	46,450,000	42,700,000
Retained Earnings	29,898,000	21,571,000
<b>TOTAL CAPITAL ACCOUNTS</b>	<b>122,798,000</b>	<b>106,971,000</b>
<b>TOTAL LIABILITIES, RESERVE AND CAPITAL ACCOUNTS</b>	<b>\$2,469,989,000</b>	<b>\$2,497,768,000</b>

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# NUCLEAR POWER

## Differences of opinion

By DAVID FISHLOCK, Science Editor

Uranium enrichment is the nuclear theme that has preoccupied Europe for the first year of the enlarged EEC. The objective has been perfectly clear: to make Europe independent of the U.S. in this vital ingredient of nuclear fuels. What has been in dispute is how this should be done within the resources of Europe. The dispute has been between those who say that the way to compete in the complex and costly technology of enrichment is to play safe and settle for an updated version of a technology already well established in the U.S. and also in Russia, and those who believe Europe must take a leap forward, even if it means a bigger technical risk.

France's public position is that it has an enrichment technology at Pierrelatte, developed for submarine fuel and nuclear explosives, which can be turned into a large and competitive commercial operation. The process of gaseous diffusion has been developed on a scale big enough to convince the French that no unknown factors remain. A gaseous diffusion plant of optimum size, about 9,000 tonnes, together with the 2,400 MW of power to drive its compressors would cost of the order of £750m. For the past two years France and seven other European nations in an association called Eurodif have been studying the French proposition. This year, having convinced themselves that the basic proposal was sound, five member nations—France, Spain, Italy, Belgium and Sweden—have proceeded to such questions as where, how and for what price a big gas diffusion plant might be built.

### Original eight

Three of the original eight members of the Eurodif study, however, withdrew earlier this year. For Britain, West Germany and Holland the first year of the study had disclosed nothing to make their conviction that they had a rival technology better

suitable to Europe's attempt to break the U.S. monopoly of the world enrichment market. They had a technology that needed only one-tenth of the power required by the energy-hungry diffusion process, and the first year of the Eurodif study had disclosed no more original idea for obtaining the power for a European diffusion plant than to build nuclear reactors. The dissenting nations also believed that they had a technology which, although perhaps one-third more expensive in capital cost than diffusion, if one excludes the investment in power, was more easily matched to the market. The investment could be allocated against orders, and would not have to be made in one big speculative commitment, as must be the case in the Eurodif project.

### Prime mover

France, as prime mover and chief shareholder in Eurodif, acknowledged the logic of the claims of the rival tripartite gas centrifuge group. It acknowledged that Europe would probably never build a second commercial diffusion plant; that the centrifuge route would probably supersede diffusion during the 1980s. But it adhered resolutely to its arguments that the centrifuge route was unproven and too great a risk technically for Europe to-day. Only by backing diffusion could Europe count on a large independent source of enrichment by the end of the decade. Without such a plant, Europe could face a severe shortage of enrichment by the mid-1980s.

By about 1985 the EEC market for uranium enrichment is expected to be worth about £300m. Give or take 10 per cent, or so, there is no real dispute between the Eurodif and the centrifuge factions about the size of the market during the 1980s. Where there is a dispute is in whether Europe should be aiming for self-sufficiency in enrichment by the 1980s or simply aiming to safeguard supplies against the crippling kind of external intervention it is now experiencing in oil supplies.

The nature of the diffusion

route requires a very large investment decision to be taken right at the outset. For this reason France has been keen to persuade the Community that the Eurodif project should have its backing to the extent that it would stockpile any surplus enrichment arising from the match between the output of a 9,000-tonne diffusion plant and the amount of enrichment Europe's reactors were burning. The tripartite faction strongly opposed the idea, arguing that it could lead to another "mountain of butter" situation, for which it would have to help pay. It argued moreover that it was unrealistic to expect Europe's electrical utilities—the private utilities at least—to replace one monopoly supplier with another; that they would not tolerate the corollary of the stockpile proposal that the EEC should prevent foreign imports of enrichment once it had achieved self-sufficiency in supplies.

In the circumstances it was probably inevitable that the Commission should settle for a compromise that could give neither faction the support it needed to be sure of success. The French declared defiantly that they would go ahead with a big diffusion plant next year, but left unanswered the questions of where, how much capacity, and with whose support. The tripartite faction, with a process that is easy to make but hard to make economic, grumbled their teeth as they contemplated the prospect that without Europe's wholehearted support, superior U.S. manufacturing technology would soon dominate in this as in other sectors of the nuclear industry.

### Not the case

Where the economies of scale for the diffusion process—and in most kinds of process plant—lie in the size of the individual production units, this is not the case with the centrifuge route. Here physical forces dictate that partners fell on deaf ears in the basic production unit will remain small. A plant capable of matching the output of just one of the three huge diffusion factories of the U.S. Atomic Energy

Commission may need as many as 10m. centrifuges, built to a standard of performance and reliability that ensures a lifetime of non-stop spinning of at least several years. The development potential of the centrifuge lies in the prospect for increasing the volume and need of them to machines, and hence their output of "separative work." But the real economies of scale must be sought in the factories assembling the centrifuges.

If Urenco, the tripartite project, is to meet its forecasts of an installed capacity of 400 tonnes of "separative work" by 1976, 2,000 tonnes by 1980, and around 10,000 tonnes by 1985, it must create to the same time-scale a new industry comparable in size and output with that for motor car engines. It must assemble machines in similar numbers for a similar price, yet of a performance and reliability far surpassing the motor car engine.

It was in the magnitude of this problem of building up a large-scale manufacture from scratch that the tripartite partners looked for understanding from other EEC nations. They pointed to the fresh surge of interest in the U.S. in the past two years, reflected for instance in statements from leading nuclear industry figures flatly contradicting earlier efforts to discount competition from the centrifuge; and also in the sharp increase in share price of Electro-Nuclear, a small New Jersey company specialising in centrifuge technology. They pointed out that once such companies as U.S. General Electric and Westinghouse Electric were given proven design of centrifuges, their skills in putting advanced technologies into mass production would overwhelm the competition from Europe. Within a few years the U.S. would be reaping greater economies of scale from the centrifuge route than Europe could offer.

The pleas of the tripartite partners fell on deaf ears in Brussels. For one thing, the Commission to recognise the justice of Urenco's case would have been to acknowledge grave doubts whether European

manufacturing industry could compete on equal terms with the U.S. But the tripartite partners were probably also paying the price of their exclusivity in the formative years of their "club," and the ruthless way they excluded such nations as Italy and Belgium, both of which—and France also—claimed some prior experience of the gas centrifuge.

The tripartite case for their exclusion was that their experience did not match the experience of Britain, West Germany and Holland, and a collaboration with as many pitfalls—technical, economic, diplomatic—as this would increase its chances of minimising its membership until a commercial operation had been launched.

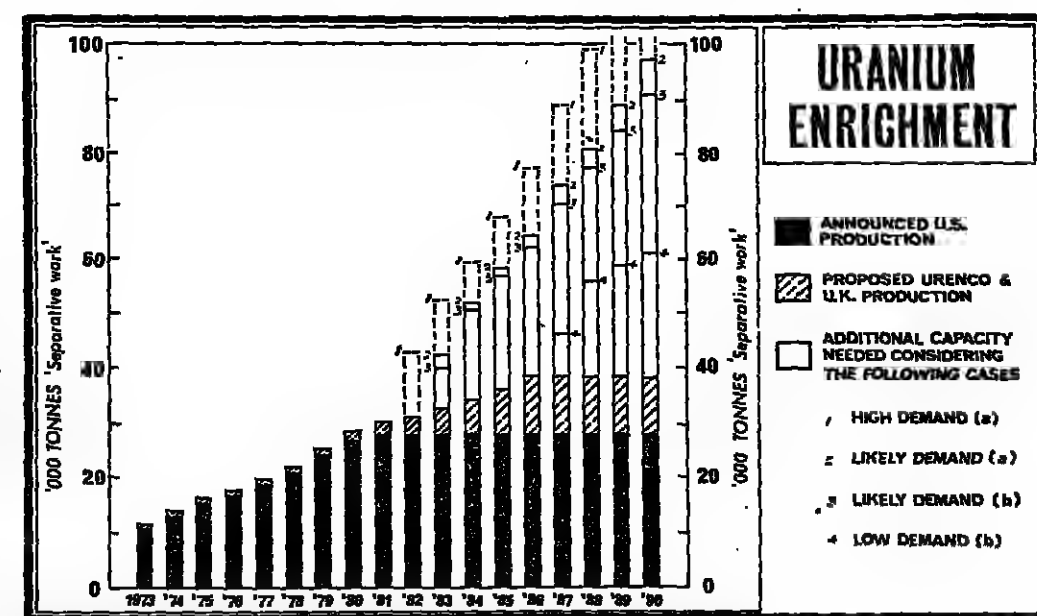
CONTINUED FROM PREVIOUS PAGE

## FREIGHT TRANSPORT

consultation on projects of major Community significance. The Commission would now like to see the consultation procedure becoming more systematic—not so that it might override the sovereignty of national decision-making but so that it can ensure that the wider implications for the Community's transport arrangements are fully considered. The more obvious examples are new Alpine crossings and the Channel Tunnel. In the case of the Channel, the Commission's interest lies primarily in assessing the implications for port and other transport investment in neighbouring member States.

Another important aspect is the inter-relationship between transport policy and other Community policies, such as for industrial, social, regional, environmental and energy questions. This is still relatively virgin territory and much will depend upon how these other policies develop—for example, the size of the Community's regional fund has obvious implications for transport infrastructure investment and its financing.

In the case of social policy—putting a human face on the



Planned annual output of separative work announced by the U.S. Atomic Energy Commission and the tripartite European centrifuge project (Urenco). Additional capacity could be met from European (Eurodif), U.S. or Russian sources. (From estimates assembled by the International Atomic Energy Agency.)

## ADVERTISEMENT

# ENEL ITALIAN NATIONAL ELECTRICAL ENERGY AGENCY ACTIVITIES IN THE DECADE 1963-1972 AND FUTURE PROGRAMMES

LAST year the Italian national electricity board completed its first ten years of activity.

As may be easily imagined, the problems tackled and solved during these first ten years were many and of considerable complexity.

The first problem was that inherent to the acquisition of 1,300 small, medium and large electricity companies: their number alone suffices to give an indication of the complexity of the problem; moreover, the acquisition of these companies was not a mere take-over, but the merger, or better the integration, of these companies into a technically, organizationally and operationally uniform structure.

The complex problems connected with the speedy development of production, transmission and distribution were also tackled at this time, taking into account the requirements of the entire nation and not, as in the past, those of the single zones. It should be added that these problems are examined from a "systemic" point of view, taking into account not only the technical and economical requirements of the installations and of the networks into which they are to be integrated, but also with greater foresight the relationship between the installations and the environment and the area's social and economic activities.

Over the past ten years the production and distribution capacity available at the time of nationalization has thus more than doubled.

With regard to the development of production, it should be noted that at the beginning of the ten-year period the electricity requirements of Italy were mainly met by hydroelectric production. To-day, the practical and economical possibilities of further exploiting this source have almost been exhausted, and the requirements are now mainly met from thermal production. This has entailed a substantial change in the productive system, and it has been necessary to build thermal power stations with a productive capacity sufficient to cover almost the whole increase in electric power requirement developed over the past ten years. To reduce the number of power stations and consequently the number of sites, in the framework of a detailed and responsible appreciation of environmental considerations, and particularly to reduce costs, ENEL has proceeded to standardize the thermo-electric power plants whose individual output power is by far greater than those in existence prior to nationalization.

From the original 60 thousand to 160 thousand KW plants, ENEL has passed first to 320,000 KW plants and now to 680,000 KW.

In the production field, it should be noted that during these past ten years ENEL has carried out extensive tests with the nuclear power stations at Latina, Garigliano and Trino Vercellese, which it had inherited from their relative companies. The operation of these power stations, which have a total power of approximately 800 thousand KW, have permitted the acquisition of highly useful know-how of the different types of reactors which are among those of the proved type.

Finally, a brief mention of geothermal production, a field in which Italy has for many years been in the forefront. The possibilities of further expansion in this sector are largely related to the discovery of new sources of geothermal energy. ENEL, in collaboration with the Italian National Research Council (CNR) is carrying out extensive studies and researches in this field.

In the past ten years, ENEL has placed in operation new production plants with a total of approximately 12 million KW, thus more than doubling the productive capacity inherited from the absorbed companies. Of this capacity approximately 12 million KW is supplied by thermoelectric power stations and 2 million KW by hydroelectric plants.

It is noteworthy to mention in this regard that almost a third of the new hydroelectric plants production capacity is obtainable at peak periods by means of new pumping systems. This fact is of the importance of which these systems are assuming, which lies not so much in their own productive capacity, but in their capability to store energy through pumping during off-peak periods and then render this power available for regulation, reserve and coverage purposes during peak periods.

From the original 60 thousand to 160 thousand KW plants, ENEL has passed first to 320,000 KW plants and now to 680,000 KW.

In the field of power transmission, the national interconnection network has been the object of intensive coordination during the past ten years, with a view to the better utilization of the existing 220 KV primary system. ENEL has supplemented this existing network by a 380 KV trunk system, which to-day extends for more than 2,500 Km, thus creating an essential infrastructure between the production centres and the energy distribution and utilization centres. The existing 220 KV system has been adequately strengthened and extended by the addition of about 3,000 Km of lines. The two systems together integrate with the European grid systems, to which the Italian network is connected by three 380 KV lines, soon to be increased to five, and by twelve 220 KV lines. These connections have already permitted the realization of considerable and reciprocal advantages and are the bases of further particularly interesting developments.

It is worthwhile mentioning that this 380 KV system represents another bulk saving, which ENEL was able to implement through the creation of the unified electricity system, that favours the construction of high capacity transmission lines.

A significant measure of the savings achieved by ENEL in this regard is given by the average distance covered by the electric energy carried by the 220 and 380 KV networks, which represent the salient index for such savings: notwithstanding the fact that the network has been continuously increased (88% between 1963 and 1972), the average distance covered by the energy has dropped by 38% over the same period, passing from 201 to 129 Km, whilst the energy fed into the network was almost quadrupled.

This demonstrates that despite the many difficulties encountered in the siting of new installations, ENEL's programming has nevertheless succeeded so far in locating conveniently close to the utilization centres, thus reducing the distances covered by the electric energy, with consequent reduction in losses, and to the advantage of supply reliability.

Another considerable saving achieved by ENEL over the ten-year period concerns the consumption of fuel for thermoelectric production: 2,614 calories were consumed in 1963 for the

production of each KW/h; in 1972 this consumption was reduced to 2,358—a saving of 10%. This saving has been possible through the adoption of power plants of high individual output power, which for the year 1972 has in practice resulted in a fuel saving amounting to more than one million tonnes.

The scope of the national dispatching centre, located in Rome, is in fact to achieve the maximum economy in production and distribution over the 380 and 220 KV trunk lines, on the basis of the available information and in consideration of the maximum possible service reliability and within the limits of the available resources and infrastructures.

In this context it must be mentioned that one of the greatest savings that resulted from nationalization derives from the fact that a choice can now be made, on a national scale, among the available production plants as they come into service, this choice being no longer tied to the dimensions of the former electricity companies, to their contractual relationships and to the "power" available to the machinery available to them.

Nevertheless, ENEL is seeking further improvements in this sector: a large new distribution and control centre will come into being during the current five-year period, as a result of extensive study and research activity over the past years. This new centre will make use of the most modern automatic processing, remote control and supervisory systems, and will ensure a more reliable and economic management of the production and transmission systems, with considerable functional and economic advantages.

The evolution of ENEL's activities over these past years is clearly indicated by its investment figures: these rose from 280 billion Lire in 1963 to 716 billion Lire in 1972; for a total of 4,500 billion Lire over the ten-year period. These are substantial investments, especially when one considers that they amounted to 10% of the entire industrial investments in Italy in 1963, and to 17% in 1972.

ENEL's investments have been particularly concerned with the distribution sector, to connect almost 9 million new users, to meet the increasing demand for electric power, and to improve the service, especially in those zones which were previously supplied by a large number of small companies whose equipment, on transfer to the Board, was generally speaking in an extremely precarious condition.

Over the past ten years, ENEL's total investment in the power distribution sector amounted to 1,910 billion Lire. Of these, 720 billion Lire, equal to 38%, were invested in the Mezzogiorno (in Southern Italy), where the power requirements during 1972 amounted to only 24% of the total energy distributed in Italy by ENEL.

This comparison between percentages of investments and of the Mezzogiorno's power requirements clearly shows the magnitude of the programmes implemented by ENEL in the southern regions, which are in line with the objectives for economic and social development foreseen by the Italian national development plan. ENEL's efforts have also been directed towards the electrification of rural areas and have contributed financially (with 20%) to the State's investments in this sector.

In addition to the activities mentioned so far, ENEL has also carried out and is still carrying out a series of organizational actions. Their scope is not only the achievement of an increasingly functional structure of the Board, but also, and principally, to achieve greater economy of operation, which must, obviously, be compatible with a high level of service reliability and quality.

Among these actions we would mention those concerning the reduction in the number of primary plant design centres, of the number of data processing centres—also in view of the projected realization of an integrated information system—of the number of distribution materials stores (with consequent rationalization of space management), as well as the modifications to the methods of bill collection and meter reading. Moreover, much has been done in the development of automated systems for the design and operation of the installations: for example, the number of remotely controlled primary distribution cabins in 1972 amounted to 401 of a total of 730 cabins (55%), while those in 1962 were only 52 of a total of 478 (11%).

These figures show that at the end of 1972, the number of ENEL dependents was only 4,143 more (+4.2%) than those which were necessary to the running of the absorbed companies with the addition of the personnel which was required by the Board to carry out the work formerly carried out by the sub-contractors to the absorbed electricity company. This is a very small increase indeed when one considers that the dimensions of an ENEL have more than doubled in this period. The increase would

still be minimal if one considers that approximately 6,000 employees requested being pensioned off earlier than usual so as to be able to take advantage of the pension benefits for war veterans and of the modifications to the electricity workers' Provident Fund.

ENEL's activity in the fields of technological and scientific research has been and is no less intensive and varied. This activity is channelled through its Research Centres and through the CESI (for electromechanics), IRI (for electronics) and ISMES (for models and structures) institutes.

The same may be said with regard to the training and refresher courses for its personnel. This problem is considered by ENEL to be of primary importance, especially in view of the requirement to keep abreast of technological evolution and to-day progresses at such a rhythm as to often render obsolete previous techniques within five or ten years.

As regards the increase in productivity, the results achieved by ENEL between 1963 and 1972 may be suitably valued by a comparison between the increase in the current unit "costs" of electricity operation (i.e., costs referred to billed KW/h) and the increase in the "price" of the factors inherent to the operation itself. Without considering financial burdens, which are above all influenced by the payments of compensations to the absorbed companies, the current unit "costs" have increased by 39% between 1963 and 1972. This increase is considerably less than would have been when considering the increase in the "price" of the factors inherent to the operation (personnel, fuel, consumable materials, sub-contractors, etc.). In fact, if the increase in the price of these factors is measured by the price index weighted as a function of the national product, which in 1972 was equal to 148 (1963 = 100), the increase of ENEL's unit costs, if the number of factors for each billed KW/h had remained constant, should have been of 48% instead of 39%.

It may therefore be rightly said that the results achieved by ENEL over the past ten years have been outstanding: one of the major international management consultants has stated that ENEL represents the only instance known to them of a company which in such a short time has achieved a substantial functional and structural harmony, although having started with 1,200 different organizations and with results that, in retro-

spect, would certainly have been judged to be exceedingly ambitious. So much for the past. As regards the future, it must be stated at once that the productive capacity over the next ten-year period will have to increase by more than double the present capacity.

Electricity production from nuclear sources will assume an ever increasing importance: it is anticipated that by the end of the ten-year period, that is, in 1982, ENEL's annual production from nuclear sources will be substantially more than that now produced by the entire hydroelectric power generation system. The production plants under construction by the end of the next five years will be prevalently nuclear (the hydroelectric pumping plants, as mentioned earlier, will have the primary function of providing power for peak periods as well as for reserves and integration).

In this context it should be noted that the competitive position of nuclear power has been considerably strengthened as a result of the increased cost of fuel oil, in addition to the greater reliability of uranium supplies in comparison to that of oil.

Nor must one forget that nuclear power generation is, after hydroelectric generation, the "cleanest" available. This is another important point in favour of nuclear power stations, which are the ecological problem—just as in all industrialized countries—has assumed great importance in Italy with repercussions which exceed those encountered in other countries, especially in the central south.

In this country, in fact, the installation of a large number of thermoelectric plants has in many cases been considerably delayed, or even completely blocked, by the objections to the constructions. This has caused a dangerous reduction in the margin between availability and requirement. These objections are tied to the fear of pollution, despite the fact that ENEL has adopted very exacting criteria in the choice of sites for new power plants which would safeguard the environment, as well as adopting the most modern and costly equipment that technological progress has to-day made available.

The nuclear power station programme which ENEL is now implementing with responsible attention is a further contribution towards the solution of the environmental and production requirements. In particular, while the fourth nuclear power station at Caorso on the Po River, with a power of 850 MW, is already in an advanced construction stage, a fifth power station, with a capacity of approximately one million MW, will be ordered by the end of this year. It is also expected that the Board will exercise its option for the purchase of a sixth plant of the same characteristics. It is foreseen that nuclear power plants will subsequently be ordered at the rate of two each year. In this manner, ENEL's electricity production from nuclear sources will increase from the approximately 3.6 billion KW/h in 1972 (3% of the national electricity production) to 10 billion KW/h in 1977 (5% of national production) to reach approximately 55 billion KW/h in 1982 (20% of national production). This programme compares favourably with those of the more industrialized nations which, one may repeat, ENEL set up as test stations.

Still in the field of nuclear power generation, one should mention the development, carried out in conjunction with the Italian Nuclear Energy Commission (CISEN), of the CIRENE reactor prototype, of original Italian design, which has also created considerable interest abroad. Another aspect in this field is the agreement reached with France and Germany for the construction and operation of high-power prototype stations incorporating breeder reactors.

As a whole, also taking into account the programmes for new traditional hydroelectric and thermoelectric plants, as well as the planned increase in transmission, transformation and distribution systems, ENEL's investments during the next five-year period should reach 4,500 billion Lire and exceed the 12,000-billion-Lire mark over the ten-year period. These forecasts do not take into consideration possible increases in costs.

The mention of these figures gives a clear indication of the importance of ENEL's financial problems and emphasizes the necessity to retain the confidence of the subscribers to loan bonds to finance the new investment programmes, through a healthy, correct and responsible management. This confidence has never been lacking in the past, neither in Italy nor abroad, as the present subscription system, a billion-dollar loan has demonstrated.



## THE WINE TRADE

EUROPE XXX

## Consumer nations begin to have their say

By KENNETH GOODING

If the original idea behind the European Community was that trading links between the partners should be strengthened, then wine provides tangible evidence that this has been achieved. When the original members of the EEC started to tear down protective tariff barriers between each other and instead strengthen them against non-member "third" countries the effect was immediate.

Just before the original EEC members sorted out their "common market for wine" in the 1969-70 season, trade between the countries involved totalled 5.87m. hectolitres of wine. In 1970-71, after the barriers were removed, the total soared by 70 per cent to 9.98m. hectolitres. If you look at the other side of the coin you find that during the same comparative periods, imports to the EEC from "third" countries fell by 77 per cent, from 13m. hectolitres to 3.1m. hectolitres of wine.

Now the trade in wine between the producing countries has much to do with what kind of harvest the individual countries enjoy during any particular year. But the trend shown by the statistics is such a strong one that any distortions caused by harvest conditions cannot really obscure the pattern.

## Tariff barriers

The original EEC members did not protect their wine interests by way of tariff barriers alone. The regulations do not allow the blending of Common Market wines with those from "third" countries. This particular ban had a tremendous impact on one "outsider" in particular—Algeria, which had built a post-war wine business mainly as an adjunct to that of France whose producers were very happy to take Algerian wine to add body to some otherwise pretty unpalatable vin ordinaire.

The non-blending regulation also tended to hit outside producers of low-cost wine, the very countries already suffering from the tariff barriers put up by EEC countries. The tariffs were generally fixed at too low a level to have any real impact on higher-quality wines.

There is no doubt at all about which country has benefited the most from the enforcement of new laws.

most from the Common Market for wine. Once again statistics tell the story. In 1969-70 the quantity of Italian wine exported to France reached just under 1m. hectolitres (989,000 to be exact). The following season, after the new EEC regulations had come into force, Italian exports of wine to France totalled just over 4m. hectolitres—a rise of 311 per cent.

## Italian exports

Move on a year and we find that during 1972 Italian wine exports to the U.K. were up by just under 100 per cent. In clear anticipation of Britain joining the Community. Figures for the first seven months of 1973 show that Italian wine sales in the U.K. soared another 97 per cent. Admittedly, this seven months represented a boom period for sales of all types of wine in Britain but even so the percentage gain for all wines at 42 per cent, represented less than half the progress made by the Italians.

One reason the Italian wine industry has been able to reap the harvest which ripened within the EEC was that it used the years from the mid-1960s onwards to get itself into better commercial shape.

Its biggest problem before that time had been the fragmented shape of the wine trade. There were too many bottles and not enough volume of each type to make them worth promoting on any scale—and the wine trade had taken to marketing "brands" often not just in one country but in several. And even with Italy as the world's largest producer and exporter of wine (although this year France's tremendous harvest might take her temporarily to the top of the producers' list) there were comparatively few large Italian wine companies with either the desire or ability to export. In 1972 out of 1,540m. gallons of wine produced only 187m. gallons or 13 per cent. EEC countries. The tariffs were generally fixed at too low a level to have any real impact on higher-quality wines.

The other important factor for the Italian wine trade was the enforcement of new laws.

dating back to 1963. Controlling (or protecting) the Denomination (name) of Origin of Italian Wines. DOC wines, like the AC (Appellation Contrôlée) wines from France, are produced in a certain area from specific vineyards from specific varieties of grapes in the right proportions and then vinified, aged and bottled according to DOC regulations.

The DOC description is reserved for wines of "particular reputation and worth" and by the middle of 1973, some ten years after the laws came into effect, 105 Italian typical wines had been awarded DOC and 21 had been refused.

The old EEC had six members, four of which produced wine: France, Italy, West Germany and Luxembourg. So it was natural that the common wine market regulations should have come from what one British wine shipper recently described as "a well-oiled, smooth-running, producer-orientated machine."

But since the Community was enlarged the situation has changed dramatically, at least in theory. The new EEC has nine members but still only the same four who are wine producers. So the Market has changed from one that is producer-orientated to one that should be consumer-orientated.

The British wine trade, much of it backed or owned by the tremendously powerful brewers, has been hammering at this particular point ever since it joined the discussions at Brussels as a club member rather than as a would-be applicant.

It is undoubtedly true that some Common Market wine regulations work against the interests of the consumer, for it was the producers and growers who had a stranglehold on those who framed the wine laws of the Community. Britain's wine traders have been working hard to make sure that the producers are not over-protected because one way the producers could be given an advantage would be for import duties and tariffs to force non-EEC wines to become more and more expensive.

This is particularly important for the U.K. which imports only 30 per cent of its wine from Common Market countries. The Wine and Spirit Association, representing the British, claims some victories already. It has succeeded in persuading the Commission that the levels of reference prices, particularly for fortified wines (mainly port and sherry), and wines sold as

Riesling and Sylvaner were far too high. But the campaign by the EEC newcomers will take hard and tenacious work. The problem remains that the four producing countries are also the four largest consumers of wine in the Community. France last year consumed 150 bottles of wine per head of population, the figure for Italy was also 150,

for Luxembourg it was 60 and for West Germany 40. Far behind come the non-producing countries. Belgium, 25 bottles per head, Holland 15, Denmark 10, the U.K. 7 and Ireland 3. Even if France and Germany remain on the consumption plateau they have been on for the past few years and the boom in Britain continues (consumption should be nine bottles a

show some signs of reaction. All this has not been done without some reaction. In Aquitaine there is evidence of local resentment against the invasion of Paris capital and people. In the Alps there has been an ecological lobby backlash which proved a minor embarrassment to the Government.

## New awareness

This new awareness of the significance of tourism in both national and regional lives is likely to filter through to Brussels and so central decisions on tourist activities may come from the Common Market in the not distant future. Initially the may concern themselves with the activities of travel agents and tour operators, but there is little doubt that eventually the path will lead to such things as hotel registration classification, a subject which has proved too awkward for the British Government to tackle with much enthusiasm.

Already various arms of the travel business are organising themselves on a European-wide basis. The airlines, the hotel industry, ground arrangements companies, and the tour operators have all strengthened the European links and begun organising themselves to do battle in Brussels.

But all this is likely to have little effect in the immediate future. For the moment, the European travel business has a year in which forward planning must surely be extremely difficult. It is a year in which a great many companies will fall back on the old manager technique of steering by the bottoms.

About the only thing one can say with any measure of conviction is that domestic tourism should have a very good year—that is Britons holidaying in Britain, French in France, Germans in Germany. Whatever the effect of foreign shortages and money crises there is considerably more leisure time throughout Europe than there ever was in the past. Evidence of this boom domestic holidaymaking is already apparent in many countries, not least Britain. It is evidenced in a variety of ways from fully booked holiday camps and river boats to a rising demand for second homes. The only factor which is likely to upset that trend is real severe European unemployment. And no-one, for the moment at least, wants particularly to consider the implications of that prospect.

## TOURISM

## All change in the holiday business

By ARTHUR SANDLES

Once upon a time the tourist patterns of Europe were clearly defined, and seemed to be unchanging. The flows of traffic grew in size, but the directions were immutable. . . well, let's say they gave the impression of being immutable. But many a rock has been swept aside by the tides of currency changes, Middle East war, and threats to fuel supplies, and this has certainly happened in the case of tourism.

The beginnings of a major change in basic tourist thinking were to be seen 18 months ago. At that time the steady flood of Americans coming to Europe showed some signs of a slow-down. European post-war tourist development, particularly in the more expensive end of the market, has been designed for American traffic. Capital city development, which London is the prime example, has been heavily concentrated on U.S. tastes. At the start of 1973 the faltering growth of American tourist trade turned first to a complete halt and then went into reverse. Fewer Americans have travelled abroad this year than in 1972.

and tourists' destinations of the world have felt the effect.

The Americans stopped travelling for a variety of reasons, not least the wobbly situation of the dollar early in the year, but also partly because of domestic uncertainty in the midst of Watergate.

## Ripple effects

The dollar's mid-summer problems were, of course, reflected in currencies throughout Europe and there were ripple effects in all manner of places. On the Channel ferries the number of cars leaving Britain for the Continent rose, but by little more than 5 per cent. The growth in traffic from Europe into Britain was well over twice that level. This reflected the relative cheapness of the U.K. for Europeans as the gradual devaluation of the pound took its toll. A similar result could be seen on the other side of the EEC. West Germans pointed their Mercedes and Volkswagens south and went straight through their traditional holiday destinations in the Austrian Alps to the more financially welcoming lakes and mountains of Italy. As the lire tumbled and

the mark soared, so the traffic to Italy increased, not only from Germany but also from traditional tourist source countries as Britain and Holland.

The increasing relative prosperity of the West Germans has now made them the dominant force in European tourism without a doubt. British tour operators have considerable difficulty in competing with the Germans in the purchase of bedspaces in Spain in particular.

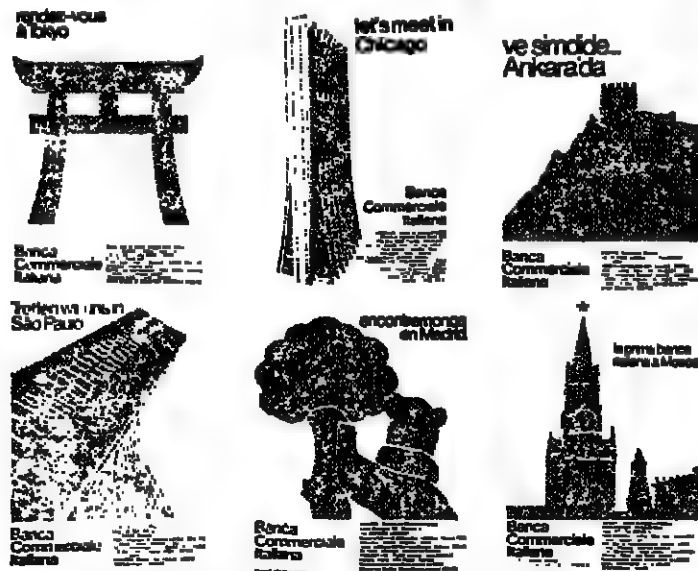
The sudden switch in custom has meant that countries throughout Europe are now looking at their tourist performance much more carefully. German and Austrian hoteliers in particular have been protesting strongly to the authorities for some assistance and tax relief in what is now regarded as a crisis situation as room occupancies fall off. The French saw their problems arising much earlier in the game and have been countering any increasing eagerness on the part of their nationals to travel abroad with substantial domestic investment in tourism. The British, too, with the now completed Hotel

equip for the new tourism and have been increasing the budget of the British Tourist Authority for promotion abroad.

But it is perhaps the French who have been playing the canniest game. Like other European countries the major magnet for French travellers is Spain. What the French have done is to neglect the roads that lead to the Spanish border, with the result that actually getting into Spain from France can be an extremely sweaty business in the peak month of August, but the French have also encouraged extensive leisure investment on the roads to the Iberian peninsula. Languedoc-Roussillon lies on the route from the heavily populated Mediterranean seaboard to the Costa Brava, and the new project, Aquitaine, straddles the road that runs down the Atlantic coast.

The French have also spent vast sums of money opening up their Alps to make sure that the growing band of French skiers do not head for rival slopes, a move which caught the Austrians on the hop and to which the Tyrol authorities now

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INTERNATIONAL COMPANY NEWS EURO MARKETS

EUROBONDS Prospects are brighter

BY MARY CAMPBELL

PRICES of straight dollar denominated Eurobonds improved somewhat last week. Convertibles however fell off significantly—down to the recorded lows for the year on average. The Bondtrade indices on Friday were as follows: medium-term straight dollar bonds—97.51 (97.17 a week previously); long-term straight—91.61 (91.30); convertible—110.21 (113.02).

Turnover was down with the Cedeit handling transactions worth a nominal \$183.2m. last week (\$183.0m. the week before) and Euroclear \$193.8m. (\$219.9m.).

The 98.1 per cent final pricing of the European Investment Bank's \$30m. issue was not very encouraging and is if anything likely to cause issue managers to still low, market operators feel that they may be bottoming out in the absence of any major development in the market at present. Issuing houses and Eurobond dealers are busy examining the prospects for next year. There is one point on which everyone is united: that for the dollar sector 1974 at any rate will be substantially more comfortable than 1973.

Last Friday a conference of the Eurobond market organised by International Business Communications and the International Insider, the panel of speakers were unanimous that short term rates will come down next year. That long term rates will follow is much more doubtful; but any falling off in short rates should mean that issues will be possible at rates acceptable to borrowers.

Indices

NEW YORK

Index	17 Dec	16 Dec	15 Dec
Dow Jones	1,151.17	1,151.17	1,151.17
S&P 500	115.17	115.17	115.17
Nasdaq	115.17	115.17	115.17

STANDARD AND POORS

U.S. STOCK INDICES

Index	17 Dec	16 Dec	15 Dec
S&P 500	115.17	115.17	115.17
Nasdaq	115.17	115.17	115.17

STOCK AND BOND YIELDS

Index	17 Dec	16 Dec	15 Dec
S&P 500	115.17	115.17	115.17
Nasdaq	115.17	115.17	115.17

FRIDAY'S ACTIVE STOCKS

Index	17 Dec	16 Dec	15 Dec
S&P 500	115.17	115.17	115.17
Nasdaq	115.17	115.17	115.17

IND. DIVIDEND YIELD P.C.

Index	17 Dec	16 Dec	15 Dec
S&P 500	115.17	115.17	115.17
Nasdaq	115.17	115.17	115.17

N.Y. SE ALL COMMON INDEX

Index	17 Dec	16 Dec	15 Dec
S&P 500	115.17	115.17	115.17
Nasdaq	115.17	115.17	115.17

RISE AND FALLS

Index	17 Dec	16 Dec	15 Dec
S&P 500	115.17	115.17	115.17
Nasdaq	115.17	115.17	115.17

AMERICAN SHARE MARKET VALUE INDEX

Index	17 Dec	16 Dec	15 Dec
S&P 500	115.17	115.17	115.17
Nasdaq	115.17	115.17	115.17

1973

Index	17 Dec	16 Dec	15 Dec
S&P 500	115.17	115.17	115.17
Nasdaq	115.17	115.17	115.17

1972

Index	17 Dec	16 Dec	15 Dec
S&P 500	115.17	115.17	115.17
Nasdaq	115.17	115.17	115.17

1971

Index	17 Dec	16 Dec	15 Dec
S&P 500	115.17	115.17	115.17
Nasdaq	115.17	115.17	115.17

1970

Index	17 Dec	16 Dec	15 Dec
S&P 500	115.17	115.17	115.17
Nasdaq	115.17	115.17	115.17

1969

Index	17 Dec	16 Dec	15 Dec
S&P 500	115.17	115.17	115.17
Nasdaq	115.17	115.17	115.17

1968

Index	17 Dec	16 Dec	15 Dec
S&P 500	115.17	115.17	115.17
Nasdaq	115.17	115.17	115.17

1967

Index	17 Dec	16 Dec	15 Dec
S&P 500	115.17	115.17	115.17
Nasdaq	115.17	115.17	115.17

1966

Index	17 Dec	16 Dec	15 Dec
S&P 500	115.17	115.17	115.17
Nasdaq	115.17	115.17	115.17

1965

Index	17 Dec	16 Dec	15 Dec
S&P 500	115.17	115.17	115.17
Nasdaq	115.17	115.17	115.17

1964

Index	17 Dec	16 Dec	15 Dec
S&P 500	115.17	115.17	115.17
Nasdaq	115.17	115.17	115.17

1963

Index	17 Dec	16 Dec	15 Dec
S&P 500	115.17	115.17	115.17
Nasdaq	115.17	115.17	115.17

1962

Index	17 Dec	16 Dec	15 Dec
S&P 500	115.17	115.17	115.17
Nasdaq	115.17	115.17	115.17

1961

Index	17 Dec	16 Dec	15 Dec
S&P 500	115.17	115.17	115.17
Nasdaq	115.17	115.17	115.17

1960

Index	17 Dec	16 Dec	15 Dec
S&P 500	115.17	115.17	115.17
Nasdaq	115.17	115.17	115.17

Commerzbank expects profits to decline

By Andrew Hargrave

FRANKFURT, Dec. 16.

THE COMMERZBANK, third of West Germany's big three commercial banks, expects—like the other two—lower profits in 1973 although, unlike them, its surplus on credit business actually increased.

As the interim report indicates, the surplus on credits in the first 10 months of this year increased by 6 per cent to almost DM430m. There was an increase of 8.8 per cent to DM162m. on bank commissions.

Against this, personnel and material costs rose substantially, particularly the former—by 16.5 per cent to DM535m. Moreover, the Executive Board comments, although money market operations had brought a higher yield, these could not entirely compensate for the insufficient credit margins. The securities and issues side suffered from the weakness of the equity market, though there was a revival in the bond market towards the end of the period under review.

Assets of the bank rose in the 12-month period to October 31, 1973, by DM2,500m. to DM28,000m. The bank's total business rose by some DM4,000m., largely due to the performance of the branches in London and New York.

However, less than half of the increase could be devoted to expanding the credit business, the rest went towards improving liquidity.

In 1972, Commerzbank achieved a profit of DM110m. and paid a 17 per cent dividend.

Mitsubishi in French link

By Andrew Hargrave

PARIS, Dec. 16.

MITSUBISHI CORP. of Japan, has agreed with Banque de Paris et des Pays-Bas, to establish a joint venture in the Middle East and Africa.

The agreement, which was signed in Paris, provides for the creation of a new company, the capital of which will be shared equally between the two banks. The company will be responsible for the development and management of the bank's business in the Middle East and Africa.

The new company, which will be known as the Middle East and Africa Development Company, will be responsible for the development and management of the bank's business in the Middle East and Africa. The company will be responsible for the development and management of the bank's business in the Middle East and Africa.

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AUSTRALIAN WEEKLY LIST

Company	17 Dec	16 Dec	15 Dec
Adelaide Petroleum	1.15	1.15	1.15
Adelaide Petroleum	1.15	1.15	1.15
Adelaide Petroleum	1.15	1.15	1.15

TEL AVIV STOCK EXCHANGE

Company	17 Dec	16 Dec	15 Dec
Bank Leumi	1.15	1.15	1.15
Bank Leumi	1.15	1.15	1.15
Bank Leumi	1.15	1.15	1.15

HONG KONG

Company	17 Dec	16 Dec	15 Dec
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15

SINGAPORE PRICES

Company	17 Dec	16 Dec	15 Dec
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15

GERMANY

Company	17 Dec	16 Dec	15 Dec
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15

CANADA

Company	17 Dec	16 Dec	15 Dec
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15

AMSTERDAM

Company	17 Dec	16 Dec	15 Dec
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15

STOCKHOLM

Company	17 Dec	16 Dec	15 Dec
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15

VIENNA

Company	17 Dec	16 Dec	15 Dec
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15

NOTES: Overseas prices exclude

Notes: Overseas prices exclude... (text continues)

JOHANNESBURG

Company	17 Dec	16 Dec	15 Dec
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15

AUSTRALIA

Company	17 Dec	16 Dec	15 Dec
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15

CANADIAN WEEKLY LIST

Company	17 Dec	16 Dec	15 Dec
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15

PARIS

Company	17 Dec	16 Dec	15 Dec
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15

MILAN

Company	17 Dec	16 Dec	15 Dec
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15

TOKYO

Company	17 Dec	16 Dec	15 Dec
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15

SWITZERLAND

Company	17 Dec	16 Dec	15 Dec
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15

BRUSSELS

Company	17 Dec	16 Dec	15 Dec
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15

OSLO

Company	17 Dec	16 Dec	15 Dec
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15

SPAIN

Company	17 Dec	16 Dec	15 Dec
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15

EUROBONDS

Company	17 Dec	16 Dec	15 Dec
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15

EUROBONDS

Company	17 Dec	16 Dec	15 Dec
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15

EUROBONDS

Company	17 Dec	16 Dec	15 Dec
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15

EUROBONDS

Company	17 Dec	16 Dec	15 Dec
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15
Bank of China	1.15	1.15	1.15

EUROBONDS







The fuel crisis could end an era in air travel, forcing passengers to pay more for worse services

# Airlines are fighting for survival

By MICHAEL DONNE, Aerospace Correspondent

WITH THE world's airlines facing the severest test yet of their flexibility and resilience because of the fuel crisis, the industry's leaders are preparing for what is likely to be not only a long-term problem but also one that could change completely the present concepts of air transport. Cuts in services because of fuel shortages now average 20-25 per cent world-wide.

For some airlines the position is worse than others. British Airways has had to cancel about 1,600 flights out of nearly 6,500 planned between now and the year's end, or nearly one-third, with cuts ranging up to 45 per cent in the Overseas Division alone. Pan American World Airways has been obliged to suspend all services to and from the U.K. between Christmas Eve and December 31.

This has set the industry back three years. The expansion since 1970-71 has been wiped out in a few weeks, and the volume of capacity now offered is back to the levels of the early 1970s, although so far the volume of traffic itself has not fallen. (In fact, in some areas bookings are running at record levels, making the fuel cuts even more galling for the airlines).



Anxious passengers queue at Heathrow as flights were cancelled at the week-end

## Labour lay-offs

Although the outlook is unclear, more fuel cuts, causing additional reductions in flights, are considered certain in the New Year, pushing the industry even further back to the levels of the mid-1960s. There have already been substantial labour lay-offs in the U.S., with fears that these may spread elsewhere. This is happening to an industry for whom growth has been the principal article of faith for years. Now it is fighting for its survival, with its future no longer in the hands of the industry's leaders. Already, it is clear that many of the industry's plans have had to be abandoned, some temporarily, some perhaps permanently.

Many airlines (especially some of the smaller charter and independent operators) are living on a day-to-day basis in the struggle to get enough fuel to keep existing routes open or charter flights running. Many services have been axed, and even some routes abandoned. But the aim of the airlines and world-wide still will be the provision of services on as many routes as possible, even

If this comes down to only one a day or even one a week in some cases, in order to keep the network intact.

The airlines, both nationally and internationally, claim it would help if they were given recognition as essential public transport. They argue that this ought not to be too difficult for governments, especially since their fuel needs are comparatively small (in the U.K. only about 4 per cent of total consumption), and that for such an amount they carry millions of passengers a year. So far, the airlines have tried to keep all classes of service going, serving all sections of the community—business and holiday traffic, scheduled and charter, cargo and mail.

If fuel supplies get worse, it may become necessary to introduce a scale of priorities. This would probably involve relegating holiday flying in favour of keeping scheduled business and economic links open. To some extent, the U.K. is in a more favoured position in this respect than many continental

countries. In that London is regarded as the major trunk route for many airlines.

The effects of the fuel crisis are appearing in a variety of ways. Fares will be going up by about 6 per cent from January 1 as a result of sharply rising fuel bills (some are up by more than 100 per cent), and everyone in the industry expects further fare rises in 1974. The era of continual reductions in fares, through the widespread use of promotional and other discount rates, is over. Anyone who flies now must expect to pay more.

## More people

Other fare changes are probable if fuel problems get worse. The airlines may have to reduce the number of first-class seats, to carry more economy-class passengers. This is not because of the need for more revenue—first-class fares more than cover the cost of the space they use—but because of the fundamental need to carry more people per gallon of fuel.

Passengers also will have to become more flexible in their travelling habits, as flights get fewer and fuller. Airlines will become less tolerant of the "no-shows"—the passenger who books on several airlines in order to ensure a seat, takes only one and fails to cancel the others in good time or at all. Passengers will probably find themselves being penalised financially for this kind of behaviour. They will also have to be ready to change their departure dates and times in order to be sure of seats for the airlines will be trying to pack 1974 loads into the equivalent of 1970 (or earlier) levels of capacity.

None of this means that the airlines are anxious to deter would-be travellers—they are not. What it does mean is that, by being a little more flexible, no one who really wants to fly in 1974 need be disappointed.

It is possible, nevertheless, that the volume of traffic may slacken as fuel embargoes bite deeper. Air transport has always been a sensitive bar-

ometer of world economic conditions. When business gets tougher, air travel is one of the first items to be cancelled. Thus, if world economic conditions deteriorate in 1974, the growth of air travel, which recovered to an annual rate of about 12-15 per cent this year from the 1970-71 recession, could fall back sharply. Few in the industry are prepared to admit that zero growth, or even recession, is a possibility, but it cannot be overlooked.

Any slackening in growth will have repercussions. It will mean a slower inflow of new equipment—even of the bigger, wide-bodied aeroplanes that can carry more passengers per gallon of fuel. Few airlines are now seriously thinking of buying new aeroplanes, not only because of the uncertain future, but also because interest rates are almost prohibitively high. Most airlines will want to hold on to the equipment they have already, squeezing as much life out of it as possible, before replacing it with the wide-bodied aeroplanes.

## No bonanza

It has also been claimed that fewer services with higher load factors should result in substantially increased revenues, earning good profits for the airlines. This is arguable. It depends on the maintenance of a high level of passenger demand, and on no worsening of inflation, which has been hitting airline costs hard—in wages and salaries, landing fees and air navigation charges, quite apart from fuel. Few in the industry suggest any financial bonanzas ahead. Most feel that in the present situation it will continue to be a struggle to keep balance-sheets in the black.

Despite the difficulties facing them, however, the airlines still have many opportunities to improve the system, against the time when expansion can be resumed. The consolidation of flights now taking place is helping them do what they have wanted to do for years—cut out many of the uneconomic operations they were forced to indulge in for competitive reasons.

The concept of closer collaboration could also be strengthened. Although some airline groups have already emerged—Atlas and KSSU on the Continent, for example—on the whole the industry still presents a pattern of fragmentation, with immense bitterness

between the scheduled and charter sides, and intense competition, despite the existence of pooling arrangements and similar commercial conveniences.

One of the most significant aspects of the fuel situation has been the way in which it has exacerbated the differences between the scheduled and charter sides of the industry, with each claiming a measure of priority in fuel over the other. The sooner the industry can heal this split the better. At the time of crisis, the industry cannot afford this kind of internal strife.

If, as many believe, the immediate future sees a general slowing-down in the pace of development in air transport, the industry will gain an opportunity of correcting many of the other things that have gone wrong over the past 30 years of almost uninterrupted expansion. The airlines, and Governments, will have more time in which to refine many of the controls that constrict the industry—passport and customs controls, for example—and many of the techniques that at present create bottlenecks.

A slower rate of growth may also give more time for a reconsideration of such things as airport policies. It may well be, for example, that what happens in the next few years could make Maplin unnecessary until 1985, instead of 1982 as at present envisaged—although there would probably have to be a major air travel recession to prevent its development entirely.

## Fewer changes

The manufacturers, too, will find that the pace of development of new types of aeroplane will be much slower. What is already available in the wide-bodies—the Boeing 747, TriStar, DC-10 and Airbus—will be what the airlines make do with for most of the next decade. The habit of introducing a major new generation of aeroplanes every seven years or so is ended. The manufacturers have other things they can do, however. A profitable sideline will undoubtedly emerge in making existing types even easier and safer to fly, as well as in improving their environmental acceptability by reducing noise and smoke pollution. The future may get tougher, but there will still be much to do for everyone involved in world civil aviation.

## OVERSEAS MINING ASSOCIATION TRAUMAS OF TRANSNATIONAL COMPANIES STATEMENT BY MR. H. J. HINVES

The twenty-eighth annual general meeting of Overseas Mining Association was held in London on 14th December 1973.

In his speech to the members, the retiring President Mr. H. J. Hinves, said:

### Tribulations

The past year has witnessed a growing number of uncertainties for the overseas mining industry.

First, the unsettled state of the foreign exchanges, which floating rates have made a matter of daily concern has complicated international financial dealings, made the negotiation of long-term contracts difficult and hazardous, and tended to throw out of balance the costs and revenues of mining where these are measured in different currencies. Stability in exchange rates is not at any one country's command, but our industry has an especial interest in seeing international action taken towards the long-term goal of a common acceptable basis for currencies. So far as the United Kingdom is concerned, the containment of inflation by limiting the rate of expansion of the money supply could contribute towards this aim.

Exchange controls too have increasingly prejudiced international financing and investment and at times one is inclined to think that inconvertibility or blocking of currencies can be even more inhibiting to overseas mining than are the obstacles.

But the multiple taxation of the industry remains heavy influence, not only by its sheer weight but also because of its often capricious side effects. For particular example in the United Kingdom the doctrinal basis of the new imputation tax system, which results in a withdrawal of double taxation relief when a company's overseas income is distributed to shareholders, actively encourages a move away from investment in developing countries because the legislation places a fiscal premium on the acquisition of United Kingdom income.

There are other aspects of the United Kingdom tax system which worry us and which we hope to see changed. These include the taxation of non-existent paper profits when share-dealing company receives one share in exchange for another, and the restrictive interpretation which is given Section 83 of the Finance Act 1972 in maintaining double tax relief where a shareholding is reduced below 10% in circumstances outside the shareholder's control.

The soaring costs of establishing new mines coupled with the unprecedentedly high cost of money present the industry with a situation which, viewed in the light of deterrents by a number of governments against overseas mining investment during the past year and also a growing tendency to equate the transnational company with the transgressor, could turn mining's traditional challenge into a campaign. The tide of economic nationalism continues to rise and it is sad to reflect on the extent to which even some of the older Commonwealth countries are now actively discouraging international investment in mining exploration and development.

However, the overseas mining industry is not unfamiliar with fluctuating fortunes either in the irregular and sharp variations in metal prices or in the outcome of mine exploration. The industry has, moreover, a record of social responsibility and regard for local and national interests in which it operates. We shall therefore continue to press upon those governments with whom we have to do the value of our role in finding, financing and bringing to production sources of increasingly valuable raw materials.

### Recruitment

One encouraging sign during the year has been the growth of the Manpower and Careers Unit in attracting to the universities and mining schools a flow of recruits in the calibre. In this context I am happy to be able to report that the first two open scholarships granted by The OMA Educational Trust have recently been awarded and in addition a number of students have been helped with bursaries.

### UN Workshop

In November 1973 the United Nations sponsored a "workshop" in Buenos Aires to discuss the negotiation and drafting of mining development agreements between governments and mining companies. Representatives of 20 developing countries participated and all conceivable aspects of this large subject were explored. The Association was invited to supply a speaker and Mr. Alan G. Davies, a former President of the Association, attended. He delivered a paper on taxation incentives and was invited to state the viewpoint of private enterprise companies on most matters which were discussed.

### Acknowledgements

Sir Ronald Prain is today retiring from the Council of the Association and I should like to pay tribute to his many contributions to the Association and to the industry as a whole over so many years. It was at his suggestion that the Association came into being and he is the only member of the Council who has held office throughout its life. He served us in a number of ways, including a term as President and we are very grateful for all he has done.

We also owe a debt to Mr. Alan Davies who retired from Chairmanship of the Taxation Committee after serving it for twenty-six years. The industry has gained greatly from his acute mind and powers of advocacy.

## Record results for Birmid Qualcast

Salient points from the Report and Accounts for the 52 weeks ended 28th July 1973, and from the Address of the Chairman, The Marquess of Exeter, presented to shareholders at the Annual General Meeting held on Friday 14th December 1973 in Birmingham.

Your Company has had a record year in spite of the most severe problems created by the adverse climate of both the economic and industrial scenes.

At the record level of £98,748,000 turnover increased by 12.7% and profits up by some 14.2% at £10,482,000, compare favourably with last year's previous record of £8,179,000.

Your Board recommend the maximum permitted final dividend of 2.174p per share. The gross equivalent for the total current year's dividend is 18.425% compared to 18.5% last year.

**FOUNDRIES DIVISION** Sales of our United Kingdom operations which included the results of C. & B. Smith Foundries Limited for a period of twelve months as compared to seven months in the previous year increased by 22.1% and profits by 19.3%.

Against a background of restricted selling prices, industrial problems and substantial cost increases, the sales and profit increases which we have achieved reflect most creditably upon our management and demonstrate the benefits available from certain of the new markets which we have been able to enter.

**HOME AND GARDEN EQUIPMENT DIVISION** A conspicuously successful year with profits showing an increase of 26.8%. The increased customer demand for our lawnmowers, both at home and overseas, reflects their continuing very high quality and value.

As explained in the interim statement, the introduction of V.A.T. increased sales in the first half of the year in advance of the historic seasonal pattern to which we may expect to revert

next year. Kitchen Furniture, Aluminium Ladders and other goods all made further progress and a most satisfactory contribution to group profits.

### WROUGHT AND ENGINEERING PRODUCTS DIVISION

It is disappointing that we have not been able to sustain the improvement of last year. The Engineering, Plastics and Irrigation Product Groups all improved profitability but we experienced a disappointing year in the Wrought Products group.

**PRINCIPAL DEVELOPMENTS** Either during or since the end of the year we have complemented existing activities by the

purchase of R. F. Hill Limited, the goodwill and certain other assets of the aluminium die castings business of Alcan Booth Industries Limited, and of 80% of the share capital of AB-Co. S.A. The major acquisition however, took place on 30th October 1973, when we bought the "POTTERTON" central heating operation, both in the United Kingdom and overseas. "Potterton" is one of Europe's leading suppliers of central heating equipment, the demand for which is growing. This activity opens for us wide new prospects in the range of consumer products and yet the field is one which is particularly suited to the manufacturing and marketing skills available within our group.

**THE FUTURE** Our work load is satisfactory and whilst our budgets indicate continued progress, it is only prudent to point out to you that the accuracy of any forecasts of results is becoming more and more dependent on the effects of strikes and go-slows, not only in some of our own companies but, more important, in the automotive industry, the main customer of our foundry division.

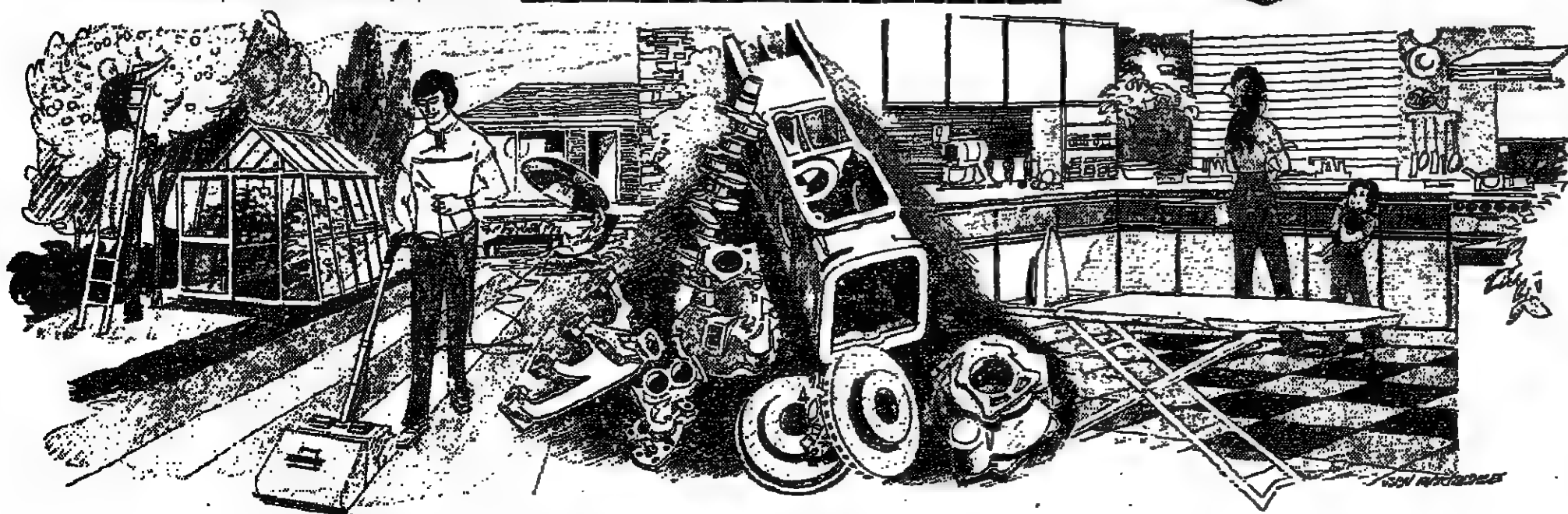
In conclusion I wish to express my thanks to everybody in the group who has helped to make these record results possible. This year again was one of all-out endeavour.

**BIRMI QUALCAST**

	1973	1972
	£'000	£'000
Turnover	98,748	87,628
Group Profit before loan stock interest and taxation	10,482	8,179
Extraordinary profits	2,338	24
Net profit attributable to shareholders	7,658	5,363
Dividend for year (gross)	19.425%	18.5%

ANALYSIS OF 1973 SALES AND PROFITS	% of total sales	% of total profits
Foundries Division	61.2	41.8
Home and Garden Equipment Division	22.5	35.9
Wrought and Engineering Products Division	16.3	13.8
Investment income	—	8.5
	100.0%	100.0%



GROUP PRODUCTS INCLUDE: Iron and Light Alloy Castings—over 1,000,000 are produced every week; Lawn Mowers (Qualcast, Atec, Suffolk and Folgate) and other garden products; Kitchen Furniture and other household articles such as carpet sweepers, ironing boards and ladders; Potterton Central Heating systems; Wrought aluminium and magnesium alloys; Plastic, Engineering and Irrigation products.

Copies of the Report and Accounts are available from the Secretary BIRMI QUALCAST LIMITED, SMETHWICK, WARLEY, WORCESTERSHIRE, B66 1BW.

## INTERIM STATEMENT

# Arlington Motors

Passenger and Commercial Vehicle specialists.

### Interim Report for the 25 weeks ended 26th September 1973

	25 weeks ended 26th Sept. 1973	25 weeks ended 27th Sept. 1972	52 weeks ended 4th Nov. 1972
	£'000	£'000	£'000
Turnover	9,952	8,878	20
Group trading profit	367	327	—
Taxation (based on Corporation Tax at 50%—1972/73 40%)	183	131	—
	184	198	—
Exceptional and prior year items (less taxation)	—	30	—
Profit attributable to ordinary shareholders	184	228	—
Interim dividend of 1.40p (net) per share (payable on 1st February 1974)	42	22	—
Final dividend of 5.075p (net) per share	—	—	—
Retained in the Group	£142	£204	—

### Trading Experience

The strong demand for all our activities to which I referred at the Annual General Meeting continued throughout the half. Unfortunately shortages of vehicles, parts and skilled staff prevented us from taking full advantage of these conditions. record profit we have achieved, in all the circumstances, I believe commendable.

### Dividend

We intend to pay an interim dividend of 1.40p (net) per share compared with 0.525p (net) per share last year. This raises interim dividend to the level which we would have paid last year we not been restricted by the Treasury. The Government's restriction on increases in total dividends means that the maximum final dividend which we can pay will be 4.48p (net) per share compared with 5.075p (net) per share last year.

### Prospects

Despite current problems with fuel supply, demand for commercial vehicles and their bodywork is extremely strong. There have been clear indications of improved vehicle and parts availability which, because of the size of our commercial vehicle intake, would more than compensate for the probable fall in demand for motor cars together with their attendant facilities. However the power restrictions just announced, together with threatened fiscal changes, make it impossible to assess immediate trading prospects.

14th December 1973

N. C. N. Housden Chair

Arlington Motor Holdings Ltd., Potters End, Enfield, Middx



# Britain has at last found a way to pay all her bills.



As you may have noticed, Britain's economic managers have found a new way to debase the coinage. (Though the effects of it are very similar to the ancient process).

Since the beginning of 1971, the money supply has grown by over 60%. Which is six times faster than output has grown. So a lot more money has been chasing too few products.

This hasn't only forced up the price of those products. It has sucked in imported products from abroad in response to unsatisfied home demand and made it harder for British producers to find goods to export.

Hence the situation which we now face: our balance of payments deficit running at an annual rate of £2,000 million; and our pound devalued by up to 37% in the last 18 months against the German mark, one of the key trading currencies.

In the short-term, this last fact helps us sell more abroad. But Britain will not solve her economic problems by giving away more and more of her products for less and less in return.

This issue goes right to the heart of the difficulties that British managers now face. It's for this reason that *Management Today* has reported and described this crisis in terms like those printed on this page (and offered solutions, as well).

For the last eight years, in fact, we've been writing about the whole array of problems (and opportunities) that face Britain's managers. Rather than just restricting ourselves to the technicalities of management.

And in the process, with the support of the British Institute of Management, we've attracted more businessmen into our readership than two-thirds of all national newspapers.

Which, we hope, suggests that British managers are now better informed than ever on the real problems and opportunities that currently face them.

A situation that's far more likely to help Britain pay her bills than the method demonstrated above.

Once you know what *Management Today* writes about, you'll see why it has more readers amongst businessmen than *The Times*, *The Guardian*, *The Observer* and the *Sunday Telegraph*. And only 1% less than the *Financial Times*.

Readership information in this advertisement is taken from the Businessmen Readership Survey 1973.



THE JOBS COLUMN

# Looking to high summer

BY MICHAEL DIXON

WHEN—OR perhaps, if—the next high summer comes, Denzil Fernandez who started a one-car business in 1961, expects to have 400 motors in his self-drive hire fleet. And that's not all.

His company Travelwise has acquired stakes in a graphic design company and in the Land Use environmental consultancy, and intends to grow more in businesses which are both profitable and of justifiable social use.

"Our activities might seem a bit scattered," says Richard Smith, the company secretary, "but they're really linked by what we at Travelwise think is our basic service—supplying professional general management."

"We run the car-hire ourselves, of course, but for the design group and the consultancy we supply only the broad-based management skills that support the professional specialists."

The 100-employee group calcu-

lates that in two or three years it would not have enough managers to go round, especially at senior rank. So it wants two people to train for Board-drive hire fleet. And that's not all.

## To step up training

AT TIMES like this, one of the first things companies sacrifice is training. Is N. G. Bailey, the privately owned 2,000-employee electrical contractor, therefore shelving its plan to appoint a corporate and management development executive to step up the company's management and apprentice training?

No, it certainly isn't. "In this business we don't rely on plant, just on people. Our future development lies in training, and so we will stay committed to it," says Noel Bailey, managing director of the Ilkley-based concern.

"But we're able to do this largely because we're a private and not a public company. We simply could not look after our future as we now do, if we were public, because the shareholders would want a larger slice."

"As things are, we have grown at better than 20 per cent compound for 52 years, and we seem up on that rate at present."

The newcomer will be responsible to and work with "practical perfectionist" Mr. Bailey in designing and putting into effect new career development patterns with appropriate interleaved training, as well as increasing apprentice training throughout the scattered operations.

The company already has about 400 apprentices, one-and-a-bit "colleges," five training officers (one for the management side), and a training budget of about £150,000.

Improvement of methods and assisting with corporate planning are also parts of the job.

"We want someone with a disciplined but nonetheless imaginative mind who knows industry and management in practice and theory—not just manpower development, though that's most important, but also things like O & M and at least the generalities of computers," adds Mr. Bailey. Age 30-60.

Salary unquoted but I expect considerably above my £4,000 floor. Share incentive possible. Car. Contributory pension. Holidays four weeks-plus. Applications to Derek de Belder of Ashley Associates (75 Mosley Street, Manchester M2 3HR—tel. 061-236-0967).

## APPOINTMENTS

# Reed International Board post

Mr. R. W. Billingsley has been appointed a director of REED INTERNATIONAL from January 1.

Mr. Billingsley is president and chief executive officer of Reed Paper Group Canada Holdings.

Mr. Hugh Foyers has been appointed to the Board of R. H. COLE as a non-executive director.

Mr. Stig Ekstrom and Mr. Stig Eriksson have been appointed to the Board of AGA (U.K.). Mr. Ekstrom is appointed managing director of AGA Navigation Aids and the electronics division. Mr. Eriksson is appointed managing director of AGA Welding.

Mr. G. J. Mortimer has been elected president of OVERSEAS ASSOCIATION for the ensuing year and Mr. R. D. Dale has been elected vice-president. Mr. P. M. M. de Wet has been elected to the Council of the association.

Mr. Norman Tyler has been appointed an assistant director of the GLASS MANUFACTURERS' FEDERATION with special responsibility for marketing and promotions.

Mr. Maurice Richard has been appointed director of research and development of PIG IMPROVEMENT COMPANY, a Dalgety subsidiary.

As a result of bringing together Monsanto Textiles and Monsanto Chemicals into one entity in the U.K.—Monsanto Limited—the Board has been re-structured.

The new MONSANTO LIMITED Board is as follows: Mr. Franklin J. Corwell (chairman), formerly chairman of Monsanto's two U.K. companies; Mr. Eric Shary (deputy chairman), formerly deputy chairman of Monsanto Textiles; Mr. Jack W. Barrett, previously a director of Monsanto Chemicals; Mr. Francis K. Reese, vice-president of Monsanto Company of U.S. and a member of its Board; and Mr. Osnik S. Taygil, chairman of Monsanto Europe S.A.

Mr. J. P. Watson, chairman and managing director of West Midland Steel Stockholders, has been appointed alternate director to the Board of the EXPANDED METAL COMPANY and is to become a full director when Mr. Frank Bamfield retires in May.

Mr. David Coleman, who has been with the British Tourist Authority for 18 years, has been appointed executive secretary of the newly-formed HISTORIC HOUSES ASSOCIATION.

Mr. Kenneth Stewart has resigned from the Board and his executive duties with HEWLEN STUART PLANT but is retaining his shareholding as he hopes to return when his health improves.

Mr. F. Laverick has been appointed managing director of RICHARDS AND ROSS and Mr. C. W. Polard, Mr. D. K. Tyler and Mr. D. W. T. Sullivan have been appointed directors.

Mr. Donald W. Harris has been appointed a director and general manager of METROTECT, a subsidiary of Anglo American Asphalt Company Ltd. Bedford A. J. Webb has also joined the Board. Mr. J. S. McLachlan has resigned from the Board and left the company.

Mr. Euan I. Spencer, until recently a director of Dean Witter Commodities, has been appointed managing director of HORN-BLOWER AND WEEKS-REMPHILL NOYES.

Sir Philip de Zureta, chief executive of Antony Gibbs Holdings, has joined the London advisory committee of the HONGKONG AND SHANGHAI BANKING CORPORATION.

H. G. Poland has formed H. G. POLAND (AVIATION) and Mr. J. M. Polard, Mr. D. K. Tyler and Mr. D. W. T. Sullivan have been appointed directors.

Mr. D. E. Evans becomes a director and Mr. J. R. O'Brien and Mr. D. Greville-Williams associate directors of H. G. Poland. Mr. L. C. Maclean is now a director of H. G. Poland (Aircraft).

Mr. J. C. Shaw has been appointed a director of SPOONER INDUSTRIES.

Miss Jean Newnes has been appointed a director of METAL PRODUCTS COMPANY (WILLEN-RALL), with particular responsibility for home market input sales.

Mr. W. W. Reulisen, a director of Laidlaw and Scottish, and Mr. Alistair D. Mackay, have been appointed to the Board of BRITISH RELAY WIRELESS AND TELEVISION.

Mr. Andrew MacKeech has joined the Board of CITICORP INTERNATIONAL BANK, First National City Corporation's merchant banking subsidiary in London, as executive director in charge of the corporate finance department.

Mr. Donald W. Harris, senior director of the POST OFFICE giro and remittance services, has been appointed to a newly created senior director post to head the data processing service.

Mr. Warrington's responsibilities in the giro and remittance services are being taken over for the time being by Mr. Alistair Hanton, at present vice-director of giro.

Mr. J. P. Griggs has been elected to the office of Chamberlain of the City of London. He succeeds Mr. C. R. Whittington, who retires on December 31. The chamberlain is financial adviser and banker to the Corporation, controls and administers a large financial fund and carries out many ceremonial duties.

Mr. John Decker has been appointed a director and general manager of SCHERMULY.

The aviation division of SMITHS INDUSTRIES has appointed the following divisional directors: Mr. C. H. E. Barden becomes



# To whom shall we leave our money, John

John: "It seems to me that many old people are nowadays in the greatest need. Things steadily get worse for them as money loses its value. We're among the lucky one John for we have a good home and a family near at hand to visit us."

John: "That's true. I hear of the most tragic cases when I meet some of my old medical colleagues—old folk who find it difficult to get out and only rarely see anyone. Loneliness saps their spirits, so they often don't feed themselves properly. Bad housing and cold make it worse. It's no wonder many die before their time."

John: "I've been reading a report about Help the Aged and flats they build for old people. It says that these are designed to give elderly people independence, but with a pleasant common room where they can meet others, and a warden on call if needed."

John: "Yes, I believe they're the people who helped to prove a Day Centre in Deal. That certainly helped a lot of old people. That's the way to help folk keep healthy active into old age. End the loneliness, and rehouse those who need it."

John: "I think we should help in thankfulness for all the blessings we enjoy in our retirement. The report I read said that £500 left to Help the Aged builds £10,000 worth of flats."

John: "I'll write for details of their work to talk over a leg with our solicitor."

For the facts about Help the Aged write to: The Hon. Treasurer, Rt. Hon. Lord Maybray-King, Help the Aged, Room F791, 8 Deans St., London W1A 2AP.

\* £150 names a flat in memory of someone dear to you, inscribes a name on the Founders Plaque of a new Day Centre.

## BANKING AND INSURANCE APPOINTMENTS

# Sterling Dealer for Merchant Bank

We are looking for a sterling dealer to manage and expand a very active sterling book.

We are a young, but well-established merchant bank in the City of London and we regard this appointment as one of great importance. The man we select will report directly to the Managing Director. He will probably be aged between 30 and 45 and certainly will have at least three years experience.

Salary and the usual benefits are entirely flexible, depending on experience and ability. Future prospects can be excellent for the right man.

Please apply in confidence, enclosing a brief curriculum vitae, to: Box T.2982, Financial Times, 10, Cannon Street, EC4P 4BY.

## FOREIGN EXCHANGE DEALER

Required by rapidly expanding international merchant bank.

Applicants must have a minimum of 3 years' experience in trading Euro currency deposits and foreign exchange.

Salary by negotiation, good fringe benefits including assisted house loan facilities, free BUPA, etc.

Write Box T.2987, Financial Times, 10, Cannon Street, EC4P 4BY.

**STOCKBROKERS CLERKS**  
Vacancies for Transfers, Contracts, Dividends, Rights, New Issues etc. Excellent Salaries plus LVs and Attractive Benefits.

**BANKING STAFF**  
Vacancies for Junior Staff FX, Depts., Securities, Accounts, Operations, Top Salaries plus LVs and Attractive Benefits.

**INTERVIEW NOW, START JANUARY**

CONTACT: MISS DELLA FRANKLIN  
ALANGATE AGENCY  
STOCKBROKING, BANKING & FINANCIAL DIVISION,  
9-11 POULTNEY, LONDON EC2R 8EJ  
Tel. 01-240 2242/6743

**FOREIGN EXCHANGE DEALER**

Required by rapidly expanding international merchant bank.

Applicants must have a minimum of 3 years' experience in trading Euro currency deposits and foreign exchange.

Salary by negotiation, good fringe benefits including assisted house loan facilities, free BUPA, etc.

Write Box T.2987, Financial Times, 10, Cannon Street, EC4P 4BY.

## GENERAL APPOINTMENTS

**International Finance Brokers**

Have vacancies for trainees up to 25 years of age. Preference will be given to applicants with Stock Exchange or similar background who will be prepared to live abroad for some years, if necessary. At least one European language, while not essential, would be an advantage.

R. P. MARTIN & CO. LTD.,  
36/40 COLEMAN STREET, LONDON EC2R 5AN.  
REFERENCE—H.F.

**MARKETING MANAGER**

National Kitchen Unit manufacturers require experienced Marketing Manager. The company has a turnover in excess of £3 million throughout the U.K. The successful applicant should have experience of marketing on a national level, preferably in a similar or associated field. He will be responsible for planning and directing the sales strategy as well as co-ordinating promotional activities. Salary will not be a deterrent. The position carries normal fringe benefits including company car, life insurance, pension scheme, etc. and there will be generous relocation expenses.

Applications, giving full details of career to date, in strictest confidence to: Box No. T.2980, Financial Times, 10, Cannon Street, EC4P 4BY.

**Marketing Analyst**

The Horseley Piggott Division of Clarke Chapman-John Thompson Ltd. require a Marketing Analyst to take charge of the initiation and running of a marketing intelligence service.

The objective will be to provide the Division with the data needed to formulate future strategies.

This is a senior appointment and applicants must have experience in marketing analysis, preferably in capital equipment, industrial products and services.

The salary will be commensurate with the quality of the person employed and the seniority of this appointment. An excellent Group Pension Scheme exists and assistance in removal expenses will be given where required.

Please send applications to the Technical Director.

**Clarke Chapman-John Thompson Ltd**  
Horseley Piggott Division,  
P.O. Box 5, Horseley Road,  
Tipton, Staffs.

**Mining Investment Analyst in Canada**

A leading Canadian firm of Investment Dealers and Stockbrokers invites applications from mining investment analysts for an interesting and challenging appointment in Canada.

Candidates should be university graduates or hold relevant professional qualifications and should have had previous practical experience at a mining analyst. A candidate's facility to express himself both orally and in writing, in clear and concise English, and evidence of investment flair, will be considered more important additional qualifications than previous experience in Canada.

The successful candidate, after an appropriate period of familiarization in Canada, will be required to keep the Canadian mining industry under constant review, to produce reports and investment recommendations and to establish and maintain personal contacts within the Canadian mining industry.

The appointment is in Toronto and will involve extensive travelling in North America and elsewhere from time to time.

A starting salary up to Cdn. \$25,000 per annum, plus bonus, is envisaged. Generous fringe benefits including assistance with the expense of moving to Canada will also be available.

Write enclosing curriculum vitae, to: Box T.2963, Financial Times, 10, Cannon Street, EC4P 4BY.

All these shares having been sold, this advertisement appears as a matter of record only.

**MORTGAGE GUARANTY INSURANCE CORPORATION OF AUSTRALIA LIMITED**

Issue of 1.85 million ordinary shares at \$ Aust. 1.50 each

Underwriters: A. C. GOODE & CO.  
Chase—N.B.A. Group Limited.

Brokers to the issue: A. C. GOODE & CO.  
Melbourne, Sydney, Brisbane, Adelaide, Perth, London, Brussels, Geneva.

**INTERIM STATEMENT**

# Matthew Hall Interim Report

The Directors of Matthew Hall & Co. Ltd. announce the Group's results (unaudited) for the nine months ended 30th September 1973.

	9 Months to 30.9.1973	9 Months to 30.9.1972	12 Months to 31.12.1972
	£'000	£'000	£'000
Group Profit on Trading	968	823	1,065
Interest Receivable	156	157	211
	1,124	980	1,276
Taxation	528	460	561
Minority losses of subsidiary companies	604	520	715
	5	33	5
	609	553	720

The Board anticipates that the Group profit before taxation for the year 1973 will be approximately £2 million, a greater incidence of contract completions being scheduled for the last quarter of the year. The Mechanical Services Companies' activities continue to be successful in both the U.K. and in Australia and there has been a considerable improvement in the Engineering Companies' overall activities. For some time now, prospects for the future have been encouraging but it remains to be seen how these will be affected by recent economic events.

The results reported above for the nine months and the forecast for 1973 include Holiday Group Limited for the period from 15th January, the date of acquisition.

We have just concluded an agreement with the French company Onmium Technique des Transports Par Pipe Lines S.A. to form a company in which Matthew Hall will have a 51 per cent interest. The new company, Matthew Hall OTP Ltd., will specialise in the design, engineering and construction of pipeline transportation systems, and it should be able to play a leading part in offshore oil and gas installations.

The Directors have declared an Interim Dividend of 1.3125p per share, which together with its associated tax credit, is equivalent to a gross dividend of 1.875p per share (1972 1.875p per share) and this will be paid on the 12th February 1974 to holders of Ordinary shares registered at the close of business on 15th January 1974.

**Matthew Hall & Co. Ltd.** Matthew Hall House, Tottenham Court Road, London W1A 1BT



# Europe's Nine should speak with one voice

THE FOLLOWING is the text of the statement issued by the nine member States of the European Community at the summit meeting in Copenhagen on December 14 and 15, 1973, at the invitation of the Danish Minister of the Interior, Mr. Hans Borchgrevink, and the President of the Commission, Mr. Jean Rey.

1—The nine member States of the European Community, meeting in Copenhagen on December 14 and 15, 1973, at the invitation of the Danish Minister of the Interior, Mr. Hans Borchgrevink, and the President of the Commission, Mr. Jean Rey, have agreed on the following:

2—The nine member States of the European Community, meeting in Copenhagen on December 14 and 15, 1973, at the invitation of the Danish Minister of the Interior, Mr. Hans Borchgrevink, and the President of the Commission, Mr. Jean Rey, have agreed on the following:

3—They decided to meet more frequently, these meetings will be held whenever justified by the circumstances and when it appears necessary to provide a stimulus or to lay down further guidelines for the construction of a united Europe. They also agreed to meet whenever the international situation so requires.

## Energy repercussions inquiry

THE FULL text of the Common Market summit statement on energy reads:

4—The Heads of State or Government considered that the situation produced by the energy crisis is a threat to the world economy as a whole, affecting not only developed but also developing countries. A proposed scarcity of energy resources would have grave effects on production, employment and balances of payment within the Community.

5—The Heads of State or Government agreed on the necessity for the Community to take immediate and effective action along the following lines:

6—The Council should adopt at its session of December 17-18 the Community Instruments which will enable the Commission to establish by January 15, 1974, comprehensive energy balance sheets covering all relevant aspects of the energy situation in the Community.

7—The Commission should on this basis proceed to examine all present or foreseeable repercussions of the energy supply situation on production, employment, prices and balances of payments, as well as on the development of monetary reserves.

8—The Heads of State or Government agreed that the Community should attach the greatest importance to the institutions of the Community playing their full role and to the necessary arrangements being taken there in order to ensure the security of energy supplies.

9—They confirmed their support for the policy of international détente which respects the independence and security of each State and the rules laid down in the Charter of the United Nations for the prevention and settlement of conflicts.

10—They agreed that the growing unity of the Nine would strengthen the West as a whole and would be beneficial for the relationship between Europe and the U.S. They attach great importance to the declaration on which they are working and which will be the basis for their friendly and co-operative relations with the U.S.

11—The Heads of State or Government agreed that the Community should attach the greatest importance to the institutions of the Community playing their full role and to the necessary arrangements being taken there in order to ensure the security of energy supplies.

## Energy repercussions inquiry

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14—They agreed that the growing unity of the Nine would strengthen the West as a whole and would be beneficial for the relationship between Europe and the U.S. They attach great importance to the declaration on which they are working and which will be the basis for their friendly and co-operative relations with the U.S.

15—The Heads of State or Government agreed that the Community should attach the greatest importance to the institutions of the Community playing their full role and to the necessary arrangements being taken there in order to ensure the security of energy supplies.

COPENHAGEN, Dec. 15.

decision concerning membership of the European Community until the result of the conference on the law of the sea is known;

—To implement a social action programme having as its aim the achievement of full and better employment in the Community, the improvement of living and working conditions in a way which makes possible their harmonisation while the improvement is being maintained, and growing participation by the social partners in the Community's economic and social decisions and by workers in the activities of enterprises.

## Important

—The Heads of State, mindful of the importance they attach to the international monetary situation, to increase the instruments at the disposal of the European Monetary Co-operation Fund and to strengthen the co-ordination of their action to deal with destabilising capital movements, in order to create an area of stability in Europe;

—The Heads of State agreed that the development of a common position on reform of the international monetary situation, to increase the instruments at the disposal of the European Monetary Co-operation Fund and to strengthen the co-ordination of their action to deal with destabilising capital movements, in order to create an area of stability in Europe;

## COMPANY NEWS IN BRIEF

**BAIRD'S WEAR**—Pre-tax profit, half-year to June 30, 1973, £1,000,000. Dividend of 10p per share, payable on January 15, 1974.

**BECKON HOLDINGS** (subsidiary of Anglo-Siam Corporation)—Profit for the year to June 30, 1973, £1,000,000. Dividend of 10p per share, payable on January 15, 1974.

**BESTWOOD COMPANY** (investment and industrial holding company)—Profit for the year to June 30, 1973, £1,000,000. Dividend of 10p per share, payable on January 15, 1974.

# N.V. GEMEENSCHAPPELIJK BEZIT VAN AANDELEN PHILIPS' GLOEILAMPENFABRIEKEN ("PHILIPS" LAMPS HOLDING)

Cancellation of Certificates to Bearer for Units issued by Royal Exchange Assurance in respect of Ordinary Shares of Philips' Lamps Holding and issue of CF Certificates in respect of Ordinary Shares of Philips' Lamps Holding.

Philips' Lamps Holding ("Philips") has hitherto had a listing on the Stock Exchange, London for its Ordinary Shares in the form of units represented by Certificates to Bearer issued by Royal Exchange Assurance ("Unit Certificates"). The holders of the unit certificates, at an adjourned meeting held on 28th November 1973, approved the cancellation of the Ordinary Shares of Philips represented by Unit Certificates to Bearer and the issue of CF Certificates to Bearer in their place.

## Explanation of the CF System

- 1 As on most European Stock Exchanges the securities listed on the Amsterdam Stock Exchange are in bearer form. Dutch companies whose shares are listed on the Amsterdam Stock Exchange in most cases issue two types of bearer shares:
- (i) **K-certificates:** Classic bearer type being a mantle plus a coupon sheet consisting of single coupons; or
- (ii) **CF certificates:** Small modern bearer type consisting of a mantle plus a dividend sheet not consisting of single coupons.
- 2 Payment of dividends on K-certificates is made against delivery of the coupon attached to the dividend paying company.
- 3 In many cases, this involves the physical handing of a great number of coupons which has become a great burden for all parties involved.
- 4 The "Centrum voor Fondsenadministratie B.V.", known as the "CF" (a private company not engaged in security trading, controlled by the Amsterdam Stock Exchange), was founded in 1964 in Amsterdam to solve this problem.
- 5 The basis of the CF system is that the dividend sheet part of the CF certificate must at all times remain deposited with the company which issues the CF certificates. The capital halves of the CF certificates (the mantles) do not necessarily have to remain with a CF depository but, as they are bearer documents, they must in the United Kingdom be held by an authorised depository and unless a holder gives contrary instructions they remain attached to their dividend sheets.
- 6 The operation of the CF in essence is as follows:-
- (i) Each physical delivery of CF certificates from one CF depository to another CF depository is reported to the CF in Amsterdam by the delivering CF depository.
- (ii) K & CF certificates are interchangeable free of charge at the office of the exchange agent designated for that purpose by the company. Exchanges are reported to the CF in Amsterdam by the relevant CF depository.
- (iii) The CF in Amsterdam keeps a register which shows daily for each security:-
- (a) the total number of outstanding shares represented by CF certificates; and
- (b) the breakdown of this total per CF depository.
- (iv) Based on (iii) (a) above, the dividend paying company remits the total dividend sum on all outstanding CF certificates to the CF in Amsterdam which distributes this amount among the CF depositories according to the situation shown under (iii) (b) above, as at a special record date. Each CF depository credit their customers accordingly.
- (v) When a capitalisation issue is made the CF in Amsterdam creates for each CF depository a "rights account" which is credited with the number of rights which corresponds with the number of shares on the share account on a specific record date. Each CF depository can dispose of these CF rights on the instructions of the shareholders in the following ways:-
- (a) conversion of these CF rights into vouchers to bearer at the office of the exchange agent; or
- (b) transfer of these CF rights to another CF depository by administrative transfer in the books of the CF in Amsterdam; or
- (c) conversion of these CF rights into new certificates at the office of the exchange agent.
- 7 The above procedure is also adopted in respect of rights on share issues against cash payment and enables a holder of a CF certificate to dispose of his new rights nil paid.
- (vi) The costs of the operation of the CF in Amsterdam are borne by the companies which issue CF securities.
- (vii) Provisions are made for standing and voting at Meetings.
- 8 Philips is proposing to issue through its exchange agent Hill Samuel & Co. Limited a British tranche of Philips CF certificates for circulation among the CF depositories in the United Kingdom only. Such CF certificates may be converted into K certificates at the office of Hill Samuel; the K certificates are not good delivery in London, but can be converted into K certificates at the office of Hill Samuel in other European centres.
- 9 The position of United Kingdom shareholders of Philips regarding withholding tax on dividends will be the same under the CF system as under the former system of unit certificates issued by Royal Exchange Assurance.
- 10 Under the Articles of Association of Philips, Philips discharges its liability to holders of CF certificates by making any distribution in accordance with the instructions of the CF in Amsterdam.

## ENTERTAINMENT GUIDE

**OPERA & BALLET**  
COVENT GARDEN, THE ROYAL OPERA, Tomorrow at 7.30: *LA TRAVIATA*.  
DE LA SALLE, Tomorrow at 7.30: *LA TRAVIATA*.  
DE LA SALLE, Tomorrow at 7.30: *LA TRAVIATA*.

**THEATRES**  
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## Lombard De-fusing interest rates

BY ANTHONY HARRIS

IT IS EASY enough to understand why, amid all the melodrama of oil, NATO misunderstandings and union confrontations, there has been relatively little high-level attention devoted to the problem of interest rates.

But a problem is not the less dangerous for being relatively familiar; and if reminder were needed, it appeared in the markets on Friday, when a sharp drop in forward sterling drove the three-month Eurosterling rate up to 18 per cent—the kind of rate which, after a time, could have appalling repercussions.

The fact is that, despite month-by-month professions from Basle, nothing practical has yet been done to produce internationally co-ordinated efforts to damp down interest rates; and if this was difficult three months ago, it has become doubly difficult in a world which must look forward to large persistent current account deficits offset by the capital surpluses of oil-producing States.

Competition to attract migrant capital, and so balance the books, could not only drive up rates internationally but would also enlarge still further the current deficit of all oil-consuming countries and enlarge the surplus of the ultimate creditors.

This result is so obviously and absurdly against our own interests that it holds out a perhaps the best hope that a solution will be sought in good earnest. Every such incentive to effort will be needed, for the problem is a baffling one.

## Road back

The first necessity is that domestic policies should be adjusted so as not to place undue strain on interest rates by asking the price of credit to do a job which should be done by responsible fiscal policy.

Our own Government has been forced by events to start, at least, on the hard road back from folly in this respect, and now begin at least to preach the same message to others. It is likely to be the more acceptable at a time when the possibility of recession is a major worry—unless other Governments repeat our own errors and so overdo the fiscal stimulus that after a short time they are thrown back on credit restraint to escape the more extravagant consequences. So the first priority is to ensure that a lowering of interest rates internationally is an early step to head off a really severe recession.

When that is achieved, however, the international problems will simply stand exposed; and it is not clear that their solution can wait on the often-deferred hope of general reform.

What is required is much more effective central bank action to offset the large speculative flows which are bound to set in at a time like this. The price to be paid for large international support of weak currencies is the same as it ever was: more international surveillance of domestic policies.

In short the monetary crisis, like every other aspect of the oil crisis, challenges Governments to make real sacrifices, involving real sacrifices, to achieve orderly international co-operation. If they fail—and the mood is far from favourable—the monetary chickens will be the quickest home to roost.

## Pressure

Since our own currency and interest rates are under the strongest pressure at the moment, it should be natural for the British to take the lead in trying to organise international counter-action.

The Government may naturally dislike the idea of bargaining from such obvious weakness, but there is really no alternative; and in any case, we need not argue entirely from weakness. For us, at least, the problem of financing oil imports is a relatively temporary one: the support we need now to avoid having to outbid every other borrower of hot money is support that others may need later, and they know it.

Equally, the measures we might be forced to take in defence of the currency, failing international support, would be a great deal more unpleasant for our trading partners than the weary task of again propping up the British would prove. For all that the scenario looks dreadfully like that of the 1960s, at first sight, there are two refreshing differences: the visible light at the end of a five-year tunnel, and the fact that no one is likely to want to threaten us with an enforced devaluation again.

This is a real chance for the Government to be seen to be doing something which matches both its domestic and its international pretensions—something not only potentially effective, but highly urgent.

## THE LEX COLUMN

# Fine mesh needed for credit control

Our masochistic market, we hear, might be pleased if the Chancellor is tough enough today—on consumer credit among other things. Thumping the consumer used to be a fairly simple job. He could, in the past, lift the initial deposit on hire purchase contracts: the rate went up from nil in mid-1954 to 50 per cent in early 1956 and from 10 per cent in mid-1963 to a third four years later. Since 1952 the maximum repayment period has varied from 18 months to theoretical infinity, and purchase tax (pre-VAT) from 60 per cent to 25 per cent. Hoover's slump period in the mid-1960s stemmed directly from the deposit/repayment curbs: U.K. manufactured washing machines went from 1.02m. units in 1963 to 0.6m. in 1966 and Hoover's profits came down from 27.1m. to 15.2m. pre-tax.

Hoover may well argue that it is less vulnerable now than it used to be. Outside estimates suggest a drop from a third to 22 per cent in the profits contribution from U.K. washing machines over the past five years and the purchase cost of the machine is less—11 days' work up to a third of its income at average pay rates against some areas. Similarly, the volume at Mercantile Credit, for instance, up 40 per cent in the year to September a touch of consolidation would be no disaster and credit ceilings should have the useful side-effect of taking some of the competitive pressure out of bidding for deposits; that would allow interest rates to come down, Government policy permitting, and restore margins. The real problem is the threat of slow paying if borrowers' income suffers a savage cut. At least the broadly spread leaders may now see their industrial business pay its way more adequately. And Lloyds and Scottish's heavy involvement in colour TV also has its useful defensive aspects.

## Personal loans

What Hoover might also have said is that simple HP control does not cut much ice these days. Last squeeze time, the policy relied upon legally binding controls on HP business, rather than intended controls on other non-HP instalment debt, notably personal loans. Major banks and finance houses complied, a lot of others didn't. Completely outside this were check and voucher credit, an exemption of which gave a great boost to Provident Clothing's business in the late 1960s. Now, the whole area has been expanded by the bank credit cards, held by some 22 per cent of the population; the Trident discount arm of the Television Finance arm of the money currently accounts for

in the least of their worries. With the volume at Mercantile Credit, for instance, up 40 per cent in the year to September a touch of consolidation would be no disaster and credit ceilings should have the useful side-effect of taking some of the competitive pressure out of bidding for deposits; that would allow interest rates to come down, Government policy permitting, and restore margins. The real problem is the threat of slow paying if borrowers' income suffers a savage cut. At least the broadly spread leaders may now see their industrial business pay its way more adequately. And Lloyds and Scottish's heavy involvement in colour TV also has its useful defensive aspects.

## Advance rentals

On precedent, colour television should be one area with little to worry about. Television reckons that monochrome had achieved one-third penetration of its potential market (much as colour has to date) when the nine months' advance rental stipulation was brought in

during 1955. But the consumer renter, it has itself been importing sets at a higher price than the manufacturing side realises on its exports. But the basic point about rental is far more comforting. Even with shorter viewing hours, there are much fronthier items of consumer expenditure which could be cut. Increased advance rentals would produce a dramatic improvement in the rental companies' cash flows; indeed, self-imposed advance rentals have appeared during the set supply shortage, either a straight two or three months or via the favouring of customers willing to pay up to a year's advance rental and jump the queue in the process.

## Stability

Stability—no set changes, no arrears—means money in the rental business, where the specialists have already got set density up to, or beyond the critical 700 a branch. Improved cash flow, and proportionately lower initial loading costs suggest that this is one sector where profits will rise willy-nilly.

## Germany blocks U.K. hope on regional aid policy

BY LORELIES OLSLAGER

GERMANY finally has put paid to British hopes for a generous European regional policy next year. Formal decisions will only be taken by the Foreign Ministers of the Nine in Brussels tomorrow and on Tuesday, but at the European Summit meeting here Mr. Edward Heath, the Prime Minister, singularly failed to get the commitment for the large regional development fund he had been seeking.

The only promise given to Mr. Heath and his Irish and Italian colleagues, who also hope that their countries will be major beneficiaries from the regional policy, was that a fund will be set up on January 1 next year.

Herr Willy Brandt, the German Chancellor, whose country will be the major net contributor—made it quite clear to his colleagues that he could not accept the British target of £1,250m. for the next three years, nor the European Commission's more modest proposal for £940m. over the same period.

The figure he had in mind, Herr Brandt told a Press conference after the meeting ended late last night, were much lower than

## Arabs disappointed at reaction of EEC Foreign Ministers

BY HILARY BARNES

THE FOUR Arab Foreign Ministers who came to Copenhagen to give their views to the European summit went away disappointed at a tough response they received from the Nine.

On the European side, any hope that oil concessions were on the way were dashed when Algeria's Foreign Minister Abdelaziz Bouteflika declared at a Press conference that the Organisation of Petroleum Exporting Countries' decision in Kuwait to impose a further 5 per cent cut in exports would be "scrupulously applied."

The Arab Ministers, acting as emissaries from the Arab summit in Algiers last month, came here hoping for "serious and practical steps" by Europe to bring about a settlement. After the meeting, Mr. Nadim Fachechi, of the United Arab Emirates, said: "We had hoped Europe would play a stronger role. This has not happened."

After a late night meeting on Friday between the Foreign Ministers of the Nine and the Arab Ministers, the Nine on Saturday produced a statement replying to the Arab views. It adopted the toughest line that the Nine have yet taken in face of Arab pressure.

The Commission is also asked since the Arabs declared their oil embargo on Rotterdam. Nevertheless, French and the anything that smacks of oil sharing will not be extremely difficult for Ministers to reach the agreement on the basis of the summit text. Officials here are already predicting that the issue may have to be referred back to the next summit.

Meanwhile, the Council is also asked to adopt a comprehensive programme on alternative sources of energy, including the development of existing resources, accelerating research into new sources and creating new production capacity. In this context, there would be "concerted harmonious development" of the two rival European projects for the production of enriched uranium.

France has thus persuaded its partners not to oppose its plans to go ahead with a major new gaseous diffusion uranium enrichment plant—in exchange for agreement that the French project's development will be co-ordinated with that of the Anglo-German-Dutch centrifuge scheme.

The Dutch delegation expressed its satisfaction with the formula adopted, particularly as it allows a proper debate on a common approach to the Arab oil embargo to get under way in the Community's institutions. The Netherlands has been insisting on joint Community action ever

## Suburban rail service in S-E hard hit to-day

By Michael Cassell

FURTHER SERIOUS disruption for the travelling public and for the traffic is certain to-day because of the rail drivers' work to rule.

Virtually no trains were running throughout the country yesterday, because of the ban on Sunday working. The public can to-day expect a resumption of the troubles which arose almost as soon as the work to rule began last week.

A programme of selective cancellations in some regions on Saturday has left some trains at points from which they can start normal Monday morning journeys. Main line services should again be operating reasonably well.

Suburban services, however, particularly in the South-East, are expected to be virtually nonexistent.

Southern Region, which by the weekend was operating only about 5 per cent of its suburban services, could not hold out any hope of an improvement this morning. It did hope, however, that main line services would be operating on a "fairly normal" basis.

Eastern Region, there will be planned cancellations to-day on some inter-city services. The cuts will involve a limited number of trains on the east coast main line in and out of Kings Cross, London.

A spokesman pointed out, however, that passengers affected by the cancellations would be able to complete their journeys by alternative services.

Local and commuter trains should run normally, except those in the London area involving Kings Cross, Liverpool Street and Fenchurch Street.

## Barclays in Maltese banking talks

By Our Own Correspondent

VALLETTA, Dec. 15. BARCLAYS BANK International denied to-day, following a weekend round of talks with Mr. Dom Mintoff, the Prime Minister, that its activities here would be curtailed.

Mr. Louis Galea, head of the Barclays organisation in Malta, strongly denied that it was leaving the island. He also discounted suggestions of a run by depositors, saying that withdrawals at present were less than at Christmas time last year.

Mr. Galea, a senior Barclays managing director, who flew to Malta last week, met Mr. Mintoff on Friday to discuss "the future of commercial banking here," following the events which saw the National Bank of Malta taken over by the Government without compensation as a result of a run by depositors.

## BOC statement on Aircro to-day

By Guy de Jonquieres

NEW YORK, Dec. 16. BRITISH OXYGEN Company's subsidiary, BOC Financial, is to make an announcement to-morrow in which it is expected to reaffirm its intention to go ahead with its contested tender offer for a 26 per cent interest in Aircro, the major American producer of industrial gases.

The announcement is expected to be made before the opening of the New York Stock Exchange. It will be BOC's first public statement since Curtis-Wright, the diversified U.S. industrial company that has also launched a bid for Aircro, filed suit in a Federal court seeking to block the BOC offer.

The Curtis-Wright suit, brought in response to a suit filed by Aircro seeking to enjoin Curtis-Wright's bid, was heard by a judge on Friday without any conclusion being reached. Curtis-Wright's bid is due to expire to-morrow, and it is not yet known whether it will be extended.

## Lockheed faces cash threat

BY GUY DE JONQUIERES

NEW YORK, Dec. 16.

LOCKHEED AIRCRAFT Corporation is expected to know within a week or ten days whether its major banks are prepared to extend further credit to the company.

The company is urgently seeking to tide it over a fresh period of financial difficulties ahead. The banks' answer will be crucial to the future of the giant company, rescued from bankruptcy by an emergency government loan guarantee less than 24 years ago.

The threat of another severe cash shortage next year is primarily because of the acute uncertainties the energy crisis has created to aviation.

## Reply awaited

The corporation met its 24 banks last week to tell them formally of its plight and to ask for assistance. Another meeting is scheduled for this week, and the banks are expected to make their position known shortly thereafter.

Lockheed has warned that postponements in the delivery schedule of its L-1011 TriStar could cause its cash requirements next year to exceed the \$850m. ceiling up to which its credit arrangements are covered by the Government guarantee.

One airline, Eastern, has already obtained a delay in deliveries, and it is feared that if the fuel shortages deepen air travel problems next year other carriers may be forced to take similar measures, leaving Lockheed with a number of completed but unpaid-for TriStars.

The company has so far drawn \$600m. on its \$850m. credit line. It has declined to specify how much additional cash is likely to be needed, but informal estimates in New York financial circles range as high as \$200m.

Lockheed was supposed to have lowered its outstanding debt to \$595m. by the end of this year,

but it has received Government permission to go \$50m. over this limit into next year.

In its public announcements, Lockheed is seeking to emphasise that its efforts to obtain financial assistance are still mainly precautionary, and insist that it may yet avert additional borrowing if it can persuade some airlines to accept the L-1011 ahead of time or find new customers for its military transport aircraft. It has 147 L-1011s scheduled for delivery between now and 1979.

However, Lockheed's decision to retain Lezard Freres, the New York investment bank, to advise on charting a way out of its troubles, seems to indicate that its underlying problems run deep and could require broader corrective measures, even if additional short-term financing can be obtained.

One possibility that is being looked at again is a merger with a healthier company—an option explored before Congress approved the loan guarantee in 1971. There may well be problems, though, in finding a suitor prepared to take on Lockheed's difficulties. McDonnell Douglas, Lockheed's main competitor in the wide-bodied airbus market, is thought to have lost the interest it displayed in a merger three years ago.

But even if a merger partner could be found, it would have to be of an extremely large corporation. Any proposal for a link between two such large companies would be scrutinised rigorously by the Justice Department, and could run into anti-trust problems.

One immediate step which might be sought could be a postponement of payment to Rolls-Royce (1971) for the engines which power the L-1011, although Lockheed vigorously denied this week-end that such a measure was under consideration.

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## Weather

U.K. TO-DAY

SUNNY SPELLS, showers, snow in N. and ground in Wales and N. England, S.E. Cent. S. England, E. Anglia. Sunny spells, perhaps showers. Wind N.W. mod. fresh. Max. 5C (41F).

Channel Is. S.W. Eng. W. Wales and Monmouth Sunny spells, clear night N.W. moderate. Max. 5 (41 to 43F).

N. Wales, N.W. Eng. I. of Man, S.W. Scot. Glasgow, Argyll, N. Ir. Sunny spells, scattered snow showers, clear night 4C (39F). Frost.

Cent. Highlands, Moray. Caltness, N.W. Scot. Orkney and Shetland. Snow showers, sunny. Clear periods at night. 1 fresh, 23 frost. Max. 2 (39 to 37F). Frost.

Outlook: Wintry, sunny spells, becoming cloudy. Perhaps more sleet or snow later. Col.

## BUSINESS CENTRE

Amstcrdam	R	6	64	Moscow
Athens	R	6	67	Myrbourne
Bahia	R	6	68	Norwich C.
Beirut	C	19	68	Osaka
Belfast	SL	5	61	Montreal
Buenos Aires	R	6	68	San Francisco
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